



**CITY OF LODI, CALIFORNIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2014**

**CITY OF LODI, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**Year Ended June 30, 2014**

**PHIL KATZAKIAN, MAYOR**  
**LARRY HANSEN, MAYOR PRO TEM**  
**BOB JOHNSON, COUNCILMEMBER**  
**JOANNE MOUNCE, COUNCILMEMBER**  
**ALAN NAKANISHI, COUNCILMEMBER**  
  
**STEVE SCHWABAUER, CITY MANAGER**

**Prepared by the Financial Services Division**  
**Ruby Paiste, Financial Services Manager**  
**Wendy Dowhower, Supervising Accountant**

## INTRODUCTORY SECTION

---

**CITY OF LODI  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2014**

**TABLE OF CONTENTS**

---

**INTRODUCTORY SECTION**

Table of Contents	i
Letter of Transmittal	v
Certificate of Achievement for Excellence in Financial Reporting	xiii
Organization Chart of the City of Lodi	xiv
Directory of Officials and Advisory Bodies	xv

**FINANCIAL SECTION**

Independent Auditor's Report	1
------------------------------	---

<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>3</b>
---	----------

**BASIC FINANCIAL STATEMENTS**

Government-wide Financial Statements:	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements:	19
Balance Sheet – Governmental Funds	21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	22
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Net Position – Proprietary Funds	25
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	26
Statement of Cash Flows – Proprietary Funds	27
Statement of Fiduciary Net Position – Fiduciary Funds	29
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	30
Notes to Basic Financial Statements	31

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Funding Progress – Pension Plan	77
Schedule of Funding Progress – OPEB Plan	78
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	79
Note to the Required Supplementary Information	80

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

Combining Balance Sheet – Nonmajor Governmental Funds	83
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	84
Nonmajor Governmental Funds - Special Revenue Funds	85
Combining Balance Sheet –Nonmajor Governmental Funds – Special Revenue Funds	87

**CITY OF LODI  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2014**

**TABLE OF CONTENTS - continued**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – Special Revenue Funds	88
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Nonmajor Governmental Funds – Special Revenue Funds	89
Nonmajor Governmental Funds - Capital Project Funds	95
Combining Balance Sheet – Nonmajor Governmental Funds – Capital Project Funds	96
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – Capital Project Funds	97
Internal Service Funds	99
Combining Statement of Net Position - Internal Service Funds	100
Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Internal Service Funds	101
Combining Statement of Cash Flows - Internal Service Funds	102
Combining Statement of Fiduciary Net Position - Private-Purpose Trust Funds	103
Combining Statement of Changes in Fiduciary Net Position - Private-Purpose Trust Funds	104
Statement of Changes in Assets and Liabilities - Agency Fund	105
 <b>STATISTICAL SECTION (UNAUDITED)</b>	
Government-wide information:	107
Net Position by Component - Last Ten Fiscal Years	108
Changes in Net Position - Last Ten Fiscal Years	109
Fund information:	
Fund Balances, Governmental Funds - Last Ten Fiscal Years	111
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	112
Tax Revenues by Source, Governmental Funds - Last Ten Fiscal Years	114
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	115
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	116
Principal Property Taxpayers -Current Year and Eight Years Ago	117
Property Tax Levies and Collections - Last Ten Fiscal Years	118
Electricity Sold by Type of Customer - Last Nine Fiscal Years	119
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	120
Ratios of General Bonded Debt Outstanding- Last Ten Fiscal Years	121
Legal Debt Margin Information - Last Ten Fiscal Years	122
Direct and Overlapping Governmental Activities Debt	123
Pledged-Revenue Coverage - Last Ten Fiscal Years	124
Demographic and Economic Statistics - Last Ten Fiscal Years	127
Principal Employers - Current Year and Nine Years Ago	128
Full-Time Equivalent City Government Employees By Department - Last Ten Fiscal Years	129
Operating Indicators by Function/Program/Department - Last Nine Fiscal Years	130
Capital Asset Statistics by Function/Program/Department - Last Ten Fiscal Years	132
 <b>SINGLE AUDIT REPORTS</b>	
Schedule of Expenditures of Federal Awards	135
Notes to the Schedule of Expenditures of Federal Awards	137

**CITY OF LODI  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2014**

**TABLE OF CONTENTS - continued**

---

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	138
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133	140
Schedule of Findings and Questioned Costs	142
Schedule of Prior Year Findings and Questioned Costs	145
 <b>CONTINUING DISCLOSURES (UNAUDITED)</b>	
Annual Report for Electric Utility	147
Annual Report for Wastewater Utility	153
Annual Report for the Lodi Public Improvement Corporation and the Lodi Public Financing Authority	160
Annual Report for Water Utility	163

**(This page intentionally left blank.)**

CITY COUNCIL

PHIL KATZAKIAN, Mayor  
LARRY HANSEN, Mayor Pro  
Tempore  
COUNCILMEMBERS:  
BOB JOHNSON  
JOANNE MOUNCE  
ALAN NAKANISHI

CITY OF LODI  
CITY HALL, 221 WEST PINE STREET  
P.O. BOX 3006  
LODI, CALIFORNIA 95241-1910  
(209) 333-6706  
FAX (209) 333-6795

STEVE SCHWABAUER  
City Manager

JENNIFER ROBISON  
City Clerk

JANICE MAGDICH  
City Attorney

**December 23, 2014**

**To the Honorable Mayor, Members of the City Council and the City Manager  
of the City of Lodi:**

The Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2014, is hereby submitted. This report is provided to present the financial position, changes in financial position, and where applicable, cash flows of the City of Lodi (City) as of and for the year ended June 30, 2014, in conformity with generally accepted accounting principles (GAAP). The report conforms to the highest standards of financial reporting as established by the Governmental Accounting Standards Board (GASB), for reporting by State and local governments. The responsibility for the accuracy, fairness and completeness of the report rests with the City.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. We believe that the information is accurate in all material respects, and that it is presented in a manner designed to fairly present the financial position and changes in financial position of the City. In addition, we believe that all disclosures necessary to enable the reader to gain a full understanding of the City's financial activities have been included.

This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The MD&A can be found immediately following the independent auditors' report.

**THE REPORTING ENTITY AND SERVICES PROVIDED**

The funds included in the CAFR are those deemed dependent upon the City and controlled by the City Council and reflect the City's financial reporting entity in accordance with GASB Statement No.14, as amended by GASB Statement No. 61.

The City was incorporated December 6, 1906, as a municipal corporation under the general laws of the State of California. The City operates under a Council-Manager form of government. Under the Council-Manager form of government, policy making and legislative authority are entrusted to the City Council. The City Council consists of five members elected at-large by its voters for four-year terms, with no term limits.



Elections are held in November of even-numbered years. Each year the Mayor and Mayor Pro-Tempore are chosen by the members of the City Council. The Mayor presides at Council meetings and acts as the ceremonial head of the City, the Mayor Pro Tempore serves as Mayor in his or her absence. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for appointing department heads, and overseeing the operations of the City. The City Manager, City Attorney and the City Clerk are appointed by the City Council.

The City provides a wide range of municipal services including public safety (police, fire and graffiti abatement), public utilities services (electric, water and wastewater), transportation services (streets, flood control and transit) leisure, cultural and social services (parks and recreation, library and community center), and general government services (management, community development, human resources administration, financial administration, building maintenance and equipment maintenance).

Several municipal services are provided through other government agencies, private companies or public utility companies, including:

	<b>Number of Facilities</b>
Elementary and Secondary Schools	18
Sanitation (solid waste) and Cable Television	3
Ambulance	1
Gas and Telephone	2

## **ECONOMIC CONDITION AND OUTLOOK**

The City is located in the San Joaquin Valley between Stockton, 10 miles to the south, and Sacramento, 35 miles to the north, and adjacent to U.S. Highway 99. The City population is 63,651 and is contained in an area of 13.98 square miles. The City has grown steadily since incorporation in 1906. The City's growth is provided for in both the General Plan and the City's growth control ordinance that allows an increase in population of 2% per year until the growth limits are reached.

The City is built on a strong and broad based local economy. The City is known for its Zinfandel wine. It is an authentic dynamic wine region with over 80 wineries within 10 miles of downtown. The employment base is diversified with food processing, packaging, plastic and service industries.

In addition, the City has a wide range of small, financially sound businesses that add to the economic strength of the City. These companies range in size from 10 to 150 employees and produce a wide variety of products, services and commodities.

Over the past several years, there has been an increase in industrial and residential development that has been unprecedented since the early 1980s. This new development combined with the growing strength of the wine/grape industry is a positive indicator for the City. The City's focus on economic development has encouraged numerous big industries to move to the City that collectively created hundreds of new jobs.

## **Economic Development**

The City continues to be committed to promoting economic development (business retention and attraction) and expanding the tax base to fund City services rather than increase taxes to pay for these services. The City has provided for additional retail sales and commercial activity with approval of new retail developments adjacent to Highway 99 and Harney Lane in the southeast corner of the City, and with a large retail development in the southwest corner of the City. The City is also committed to an Enterprise Zone with San Joaquin County.

## **MAJOR GOALS, OBJECTIVES AND PROJECTS**

To assist the citizens of the City in understanding where the City intends to allocate available resources, the City Council, the City Manager and Department Heads established in 2004 a hierarchy of major goals, objectives and major projects that support and re-enforce the City's mission statement. These goals and objectives will be revisited by the Council in a workshop in early 2015.

Four major City goals were established as policy direction and focal points for the efforts of City staff. These goals include:

- Ensure a High Quality of Life and a Safe Environment for Citizens
- Ensure Efficient and Productive City Organization
- Ensure Public Trust, and
- Ensure the Development of the Lodi Economy for a Fiscally Sound City Organization

City Council, the City Manager and Department Heads established nineteen major City objectives:

- |   |   |
|---|---|
| Maintain City's Sense of Community  | Provide Employee Training and Education                   |
| Provide for a Balanced Community  | Evaluate Telecommunications Opportunities                 |
| Enhance Access through Implementation of Information Systems Strategic Plan | Provide Resources to Maintain City's Infrastructure       |
| Promote Urban Forestry  | Promote Public Relations and Marketing Efforts            |
| Attract, Retain and Invest in a Quality City Work Force                     | Ensure Open and Accessible Public Meetings                |
| Encourage Public Arts, Cultural and Recreational Opportunities              | Pursue Efforts to be Entrepreneurial                      |
| Provide Appropriate and Sufficient City Facilities                          | Improve Customer Service                                  |
| Develop Short and Long Range Operational Plans                              | Continue to use Partnerships to Advance City's Objectives |
| Develop Effective Records Management Program                                | Provide a Balanced Budget and Adhere to Adopted Policies  |
| Promote Commercial/Industrial Base  |   |

Projects represent the foundation of the planning statements for the City. These projects are designed to accomplish specific objectives and become the focus for organization-wide effort.

As discussed above, economic revitalization continued to be an active focal point of the City in 2013-14. The following projects are underway and will see significant progress or be completed in 2014 or 2015.

### **Fire Station #2**

The City awarded a \$4.2 million construction contract in August 2014 for building a replacement for the existing Fire Station #2. Construction is underway with an estimated completion date in late 2015.

**Lodi Shopping Center**

The Lodi Shopping Center development in the southwestern corner of the City has cleared all legal hurdles and is currently under construction. Anchored by a WalMart supercenter, the site will encompass 12 building pads and approximately 340,000 square feet of retail space.

**Reynolds Ranch**

Reynolds Ranch is a planned development on the south eastern edge of the city that will eventually incorporate residential and commercial development. Development continues with additional retail space completed in 2014 and 2015. Build-out of the commercial space will occur over the next 10 years.

**Residential Development**

The City has five residential development projects that have been approved and total about 1,100 dwelling units. Dwelling units are fairly evenly divided among low, medium and high density units. Sales in four of the five projects are expected in 2015.

**Water Meters and Water Infrastructure**

Under state law, all residential housing must be billed for water usage on a metered basis by 2025. The City has embarked on a program to install meters on approximately 14,000 parcels over a seven year period. A portion of this project will also include moving mains and service connections from alleys and rear yards to streets and front yards. Additionally, the City will be appropriately sizing water mains as part of this project. Construction began during FY 2009-10 and will continue through FY 2016-17. To date, approximately 10,300 meters have been installed. Estimated cost for the complete program is \$42.5 million.

**FINANCIAL INFORMATION, MANAGEMENT AND CONTROL**

A detailed understanding of the financial position and change in financial position of the City is provided in the following sections of this report. The following is a brief description of the City's financial condition, management practices and control techniques.

**Basis of Accounting**

Basis of accounting refers to the policy as to when revenues, expenditures or expenses are recognized in the financial accounts and reported in the financial statements. The City's accounting records for general government operations are maintained on a modified accrual basis. Revenues are recorded when available and measurable. Expenditures are recorded when the services or goods are received and the liability incurred. For proprietary fund types, the City uses the accrual basis of accounting. As such, the measurement focus is on net income in addition to financial position and changes in financial position. Revenues are recognized when earned and expenses are recognized as the liability is incurred. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

**Accounting System and Budgetary Control**

In developing the City's accounting system, consideration is given to the adequacy of the internal controls. The objective of the City's internal accounting controls is to provide reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; and to ensure that transactions are properly recorded to permit the preparation of financial statements in accordance with GAAP. The concept of reasonable assurance recognizes that the cost of the controls should not exceed the benefits likely to be derived and that estimates and judgments are required to be made by management in evaluating these costs and benefits.

In addition, the City maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The City Manager is responsible for the preparation of the budget and its implementation after adoption. The City Council has the authority to amend the budget at any time during the year. The City Manager has the authority to make adjustments to the budget as long as those changes will not have a significant policy impact nor affect budgeted year-end fund balances. During fiscal year 2013-14, the City Council and City Manager made several supplemental appropriations for operating budgets and capital projects.

### **Fund Balance**

It is the City's goal to target and maintain an unassigned fund balance in the General Fund of at least 16% of revenues and working capital balances in the Water and Wastewater enterprise funds, and at least 25% of operating expenses. Based on a reserve policy adopted in March 2011, the target for the Electric enterprise fund working capital is \$28.7 million for fiscal year 2013-14. The goals allow for variations from year-to-year to account for economic and fiscal changes. The General Fund maintained an unassigned fund balance of \$9,133,366 or 23.06%, of revenues at the end of fiscal year 2013-14.

### **Cash Management**

The City has written investment policies that address a wide range of investments. These policies describe the City's investment objectives, investment authority, allowable investment vehicles, maturity terms and eligible financial institutions. They also describe the City's capital preservation and cash management objectives. As provided in the policy, investments are intended to be held until maturity and investment terms are to be consistent with the City's cash flow needs. Investment reports are issued quarterly to the City Manager and City Council to provide detailed information regarding the City's investments and compliance with City policy and state law. An important objective of the City's investment policy is to achieve a reasonable rate of return on public funds while minimizing risks and preserving capital. In evaluating the performance of the City's investment portfolio, investments are expected to yield a rate of return that regularly meets or exceeds an average rate of return on a three-month U.S. Treasury Bill.

### **Appropriation Limitation**

Article XIII B of the Constitution of the State of California (Proposition 4) provides for the limitation of expenditures by state and local governments. Under the provisions of this article, City appropriations funded through tax sources may not exceed Fiscal Year 1979 appropriation levels except as adjusted for increases in population and the growth in the California per capita income or non-residential assessed valuation due to new construction within the City.

Excluded from the limitation are appropriations funded through charges for services, fines and forfeitures, grants, transfers of service responsibilities between government agencies and indebtedness incurred prior to Fiscal Year 1979. Pursuant to subsequent legislation adopted after Article XIII B, the City is required to annually establish and adopt its appropriations limit by resolution. For 2013-14, the City's appropriations subject to limit were \$32,857,542 and the appropriation limit was \$86,108,936 leaving appropriations at \$53,251,393 below the limit.

### **Debt Administration**

At June 30, 2014, the City had outstanding Certificates of Participation and Revenue Bonds of \$177,300,622. These liabilities are discussed in Note 8 of the Basic Financial Statements and summarized below.

The City issued \$5.0 million of Certificates of Participation (1995 COP) to fund its share of capital improvements in the downtown and Cherokee Lane areas. These bonds were refunded by the issuance of the 2002 Certificates of Participation. The 2002 bonds were refunded by the issuance of the 2012 Lease revenue Bonds.

The City also issued \$10.12 million for the renovation of the Performing Arts Center on August 1, 1996; the 2002 Certificates of Participation also refunded these bonds. The 2002 bonds were refunded by the issuance of the 2012 Lease Revenue Bonds.

In 1999, the Electric Utility issued \$43.96 million Certificates of Participation to finance the costs of certain improvements to the distribution and transmission facilities of the City's electric system. These bonds were refunded by the issuance of the 2002 Electric Systems Revenue Certificates of Participation. The 2002 bonds were refunded with the 2008 Electric Systems Revenue Certificates of Participation thereby eliminating a variable rate obligation.

In November 2002, the City issued the 2002 Revenue Certificates of Participation Series C for \$21,225,000 and 2002 Series D for \$22,740,000, to buy out the energy purchase agreement entered into by the City in January 2002 with Calpine. The Series C debt was paid in fiscal year 2012-13.

On October 7, 2003, the City and the City of Fort Bragg issued Water and Wastewater revenue bonds (2003B) through the California Statewide Communities Development Authority ("the Authority") under its pooled financing program. Total bonds issued were \$9,855,000 of which \$5,000,000 was for the upgrade of the City's wastewater facilities. These bonds were paid during the fiscal year.

In 2004, the City issued \$27,360,000 in Wastewater Certificates of Participation (2004A) to finance the costs of improvements to the wastewater collection, treatment and disposal system. These bonds were partially refunded with the 2012 Refunding Wastewater Revenue Bonds, Series A.

In 2007, the City issued \$30,320,000 in Wastewater Certificates of Participation (2007A) to finance Phase III of the wastewater improvements and to refund the 1991 Certificates of Participation.

On July 24, 2008, the City issued the 2008 Electric System Revenue Certificates of Participation to provide funds to currently refund the outstanding \$46,760,000 principal amount of the Electric System Revenue Certificates of Participation 2002 Series A Variable Rates Certificates (the "Refunded 2002 Certificates"); and to pay certain costs relating to the termination of a swap agreement relating to the Refunded 2002 Certificates.

On October 1, 2010, the City issued \$9,015,000 Water Revenue Certificates of Participation, 2010 Series A and \$29,650,000 Water Revenue Bonds, 2010 Series B (Federally taxable - Build America Bonds) to finance the construction of the Surface Water Treatment Facility which is designed to pump water from the Mokelumne River, treat and deliver it to the City's water distribution system.

The City's debt management policy includes a commitment to monitor all forms of debt annually during the preparation of the City's Financial Plan and Budget to ensure compliance. Also, the City will generally conduct financing on a competitive basis, will seek an investment grade rating on any direct debt and will obtain credit enhancements such as letters of credit or insurance when necessary for marketing purposes, availability and cost effectiveness.

**Interim Financial Reporting**

Monthly financial reports are prepared to present the City's financial condition and changes in financial position. These executive reports are organized using the "pyramid" approach. As such, the highest level of summary data is presented first, followed by progressively greater levels of detail. The reports provide current period and year to date revenues, expenditures and encumbrances for all activities and funds, including year-to-date estimates and variances. The reports are available to all departments.

**Single Audit**

The City is subject to financial and compliance reporting required by the Single Audit Act Amendments of 1996 and OMB Circular A-133, which is a requirement of all local and state governments receiving and expending in excess of \$500,000 of federal financial awards annually. As part of the Single Audit, tests are made to determine the adequacy of internal controls, including that portion related to federal financial awards, as well as to determine that the City has complied with certain applicable laws and regulations governing federal funds. The Single Audit report is published as part of the annual financial statements for easy reference.

**Competitive Bidding Policy**

All required purchases for materials, equipment and services during 2013-14 were made pursuant to competitive bidding procedures as established under the City's purchasing ordinance. Contracts for construction projects were awarded pursuant to competitive bidding procedures established by the State of California for projects in excess of \$5,000.

**Risk Management**

The City is self-insured for dental care, workers' compensation, general liability and unemployment insurance. General liability and workers' compensation are administered by outside agencies. The City administers unemployment insurance. Self-insurance transactions are accounted for under the Insurance Funds. At June 30, 2014, the Insurance Fund had a net position of \$3,199,155.

**INDEPENDENT AUDIT**

The City Council requires an annual audit of the records and accounts of the City by an independent certified public accountant. To ensure proper internal control, periodically the City conducts a request for proposal (RFP) process for auditing services. The accounting firm of Macias Gini & O'Connell LLP was selected to perform this audit. The independent auditor's report precedes the basic financial statements and concludes that the City's basic financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

**CERTIFICATES OF ACHIEVEMENT**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2013. These Certificates of Achievement are prestigious national and state awards recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last twenty-one consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA this year.

#### **ACKNOWLEDGMENTS**

As always the professionalism, dedication and efficiency of the Financial Services Division Accounting staff made it possible for the timely preparation of this report and are to be commended. I would also like to personally thank Ruby Paiste, Financial Services Manager, Wendy Dowhower, Supervising Accountant, Tyson Mordhorst, Senior Programmer Analyst and Nancy Spinelli, Finance Technician. Their work in preparing this year's CAFR is greatly appreciated.

I would also like to thank you for your continued interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Jordan Ayers", with a stylized flourish at the end.

**Jordan Ayers**  
**Deputy City Manager/Internal Services Director**



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Lodi  
California**

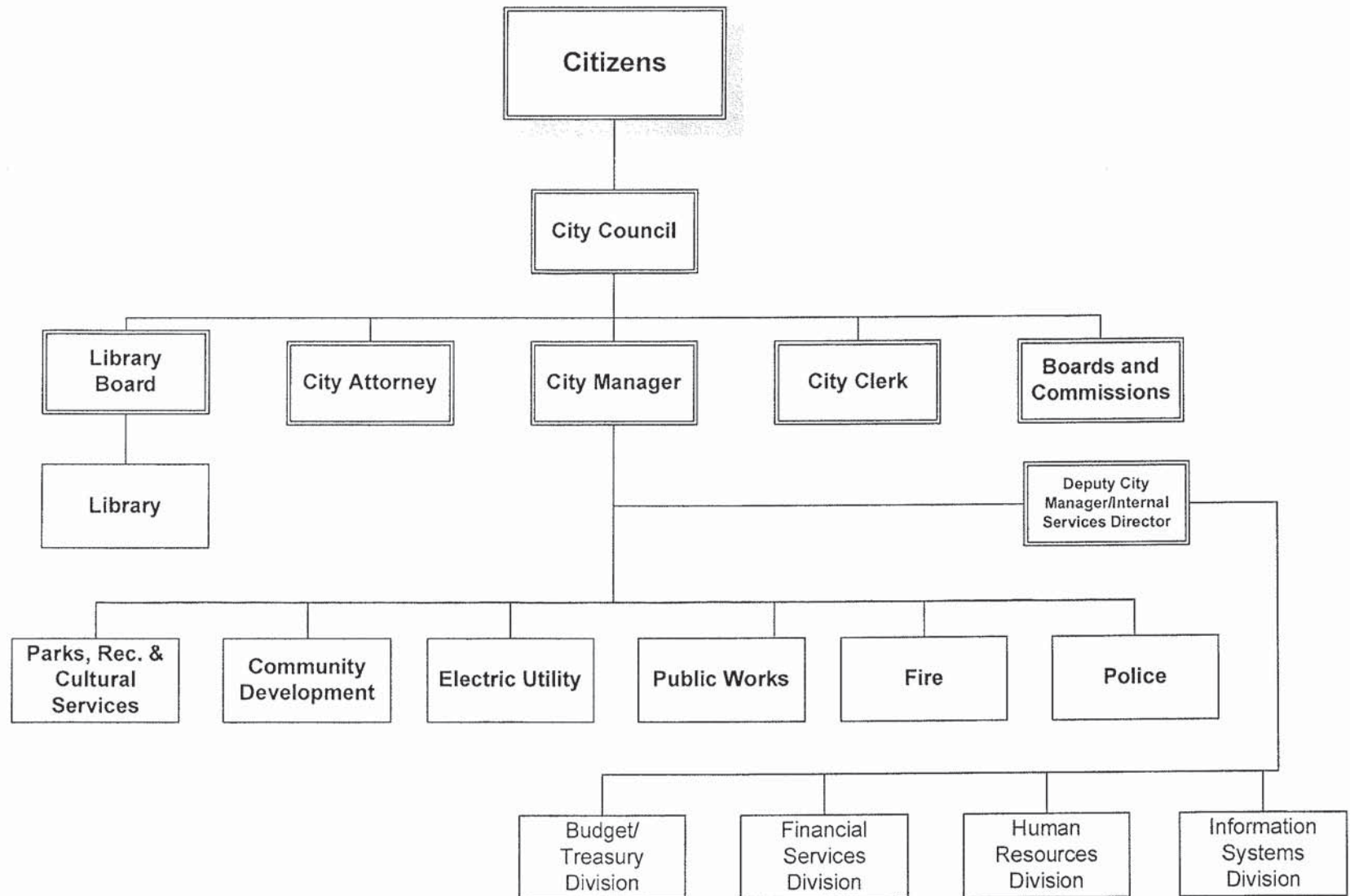
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO



# City of Lodi



## DIRECTORY OF OFFICIALS AND ADVISORY BODIES

---

### CITY COUNCIL

Phil Katzakian  
Larry Hansen  
Bob Johnson  
JoAnne Mounce  
Alan Nakanishi

Mayor  
Mayor Pro Tem  
Council Member  
Council Member  
Council Member

### ADVISORY BODIES

Planning Commission  
Library Board  
Recreation Commission  
Site Plan and Architectural Review Committee

Lodi Improvement Committee  
Lodi Arts Commission  
Youth Commission  
Lodi Senior Citizens' Commission

### PRINCIPAL ADMINISTRATIVE OFFICERS

Steve Schwabauer  
Jordan Ayers  
Janice Magdich  
Jennifer Robison  
Dean Gualco  
Larry Rooney  
Jeff Hood

Wally Sandelin  
Elizabeth Kirkley  
Steve Schwabauer  
Mark Helms

City Manager  
Deputy City Manager  
City Attorney  
City Clerk  
Library Services Director  
Fire Chief  
Parks, Recreation &  
Cultural Services Director  
Public Works Director  
Electric Utility Director  
Community Development Director  
Police Chief

**(This page intentionally left blank.)**

## FINANCIAL SECTION

---

The Financial Section is comprised of the Independent Auditor's Report, Management's Discussion and Analysis, Basic Financial Statements, including the notes, Required Supplementary Information, and Supplementary Information which includes Combining and Individual Fund Statements and Schedules.

## INDEPENDENT AUDITOR'S REPORT

The Honorable Members of City Council  
City of Lodi, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lodi, California (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As described in Note 1 to the financial statements, during the year ended June 30, 2014, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress for the pension plan and OPEB plan, and the schedule of revenues, expenditures and change in fund balance – budget and actual – for the General Fund as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, combining and individual nonmajor fund financial statements and schedules, statistical section, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the continuing disclosure section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, statistical, and continuing disclosure sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2014 on our consideration of City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.



Sacramento, California  
December 23, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Comprehensive Annual Financial Report is presented as discussion and analysis of the financial performance of the City of Lodi (City) for the year ended June 30, 2014.

### FINANCIAL HIGHLIGHTS

- The assets and the deferred outflows of resources of the City exceeded its liabilities at the close of the 2014 fiscal year by \$259,215,945 (net position). Of this amount, \$19,086,401 is unrestricted.
- The City's total net position increased by \$8,693,996 in fiscal year 2014.
- As of June 30, 2014, the City's governmental funds reported combined ending fund balances of \$21,142,969, an increase of \$1,130,468 in comparison with the prior year. Of this amount, \$9,034,833 is available for spending at the City's discretion (unassigned fund balance).
- At the close of the fiscal year, fund balance for the general fund was \$9,473,760, of which \$9,133,366 is unassigned or 23.06% of total general fund revenues of \$39,601,024.
- The City's total long-term liabilities decreased by \$1,806,010 (0.8%) during the current fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the Basic Financial Statements. This report also includes other **supplementary information** in addition to the basic financial statements.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the City's assets, deferred outflows of resources, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through users fees and charges (business-type activities). The governmental activities of the City include general government, public protection, public works, community development, library, parks and recreation. The business-type activities of the City include electric operations, wastewater operations, water operations and public transit operations.

### **Fund Financial Statements**

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: Governmental funds, Proprietary funds, and Fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining financial resources available in the near future to finance City programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their type (special revenue, capital projects and debt service). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for its general fund and special revenue funds. Budgetary comparison statements and schedules have been provided for the general fund and the special revenue funds to demonstrate compliance with this budget.

**Proprietary Funds.** Proprietary funds are generally used to account for services for which the City charges customers, either outside customers, or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Electric, Wastewater, Water, all of which are considered to be major funds and the Transit system, which is considered to be a non-major proprietary fund.



- **Internal Service funds** are used to report activities that account for various employee benefits, self-insurance, and fleet activities of the City. Because these activities predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The activities of the Industrial Way-Beckman special assessment and various landscape and lighting districts are accounted for and reported under the fiduciary funds. The activities of the Private-Purpose Trust and the Hutchins Street Square Bequest are also accounted for under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

### **Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits (OPEB) to its employees, and schedules comparing budget to actual amounts in the General Fund.

### **Combining Statements**

The combining statements in connection with non-major governmental funds and fiduciary funds are presented immediately following the required supplementary information on pensions.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities by \$259,215,945 at the close of the current fiscal year.

### City of Lodi's Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Assets:</b>						
Current and other assets	\$ 39,219,664	38,750,736	86,449,184	91,178,980	\$ 125,668,848	129,929,716
Capital assets	125,248,452	126,641,197	234,608,951	235,205,934	359,857,403	361,847,131
Total assets	164,468,116	165,391,933	321,058,135	326,384,914	485,526,251	491,776,847
<b>Deferred outflows of resources</b>	462,397		7,371,560		7,833,957	
<b>Liabilities:</b>						
Long-term liabilities	40,429,163	38,871,505	178,254,118	181,617,786	218,683,281	220,489,291
Other liabilities	4,679,095	5,934,472	10,781,887	10,331,986	15,460,982	16,266,458
Total liabilities	45,108,258	44,805,977	189,036,005	191,949,772	234,144,263	236,755,749
<b>Net position:</b>						
Net investment in capital assets	105,461,769	106,827,620	116,156,098	113,008,124	221,617,867	219,835,744
Restricted	11,808,701	12,600,862	6,702,976	6,599,612	18,511,677	19,200,474
Unrestricted	2,551,785	1,157,474	16,534,616	14,827,406	19,086,401	15,984,880
Total net position	\$ 119,822,255	120,585,956	139,393,690	134,435,142	\$ 259,215,945	255,021,098

**Assets.** The City's total assets decreased by \$6,250,596. The decrease is primarily due to the following:

Governmental activities. Total assets for the governmental activities had a decrease of \$923,817 or 0.56% resulting largely from the decrease in capital assets of \$ 1,392,745; offset by the increase in rent from Northern California Power Agency (NCPA), \$503,987. Other insignificant activities offset the difference.

Business-type activities. Total assets for the business-type activities had a decrease of \$5,326,779 or 1.63%. Current and other assets decreased by \$4,729,796 primarily from the early pay off of the 2003 Series B Wastewater Revenue Bonds in the amount of \$2,974,300; decrease in restricted assets of \$1,200,447; decrease in Greenhouse gas allowance compared to prior year of \$1,565,000; offset by the increase in impact fees of \$287,690; and the increase in charges for services revenue due to increased rates in Wastewater of \$557,877 and in Water of \$315,037.

Charges for services in the Electric fund increased by \$1,463,163 due to the overall increase in usage by customers. Capital assets decreased by \$596,983 primarily from depreciation of buildings and improvements, machinery and equipment, and vehicles. Other insignificant activities contributed to the difference.

**Liabilities.** The City's total liabilities decreased by \$2,611,486 or 1.10%. The decrease is primarily due to the following:

Governmental activities. Total liabilities for the governmental activities had an insignificant increase of \$302,281 or 0.67%.

Business-type activities. Total liabilities for the business-type activities decreased by \$2,913,767 or 1.52%. The decrease is primarily attributable to the principal payments towards the various certificates of participation of \$10,185,000; and the reduction of the pollution remediation obligation of \$742,038, offset by the reclassification of the deferred amount from various debts refunding due to GASB Statement No. 65 of \$7,371,560. Other insignificant activities offset the difference.

**Net position.** The City's overall financial position has increased during the fiscal year. The net position has increased by \$8,693,996, excluding the restatement of \$4,499,149, or 3.47%.

The largest portion (\$221,617,867) of the City's net position reflects its investment in capital assets net of any associated depreciation (e.g., land, buildings and improvements, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$18,511,677 (7.14%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position amounts to \$19,086,401. At the end of the current fiscal year, the City is able to report positive balances in all categories of net position for the City as a whole. Unrestricted net position is positive for both the governmental and business-type activities.

City of Lodi's Change in Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 5,692,708	6,004,957	91,956,874	89,602,626	\$ 97,649,582	95,607,583
Operating grants and contributions	2,685,911	2,341,326	4,431,258	5,178,459	7,117,169	7,519,785
Capital grants and contributions	5,359,070	4,215,635	2,846,263	4,714,744	8,205,333	8,930,379
General revenues:						
Property taxes	12,758,079	12,217,633			12,758,079	12,217,633
Other taxes	10,960,317	10,804,737			10,960,317	10,804,737
Grants and contributions not restricted to specific programs	10,138,096	9,382,422			10,138,096	9,382,422
Litigation-environmental lawsuits proceeds				1,106,400		1,106,400
Rent	1,905,709	1,369,562	4,200	4,200	1,909,909	1,373,762
Other	730,690	654,582	3,126,882	1,751,200	3,857,572	2,405,782
Total revenues	50,230,580	46,990,854	102,365,477	102,357,629	152,596,057	149,348,483
<b>Expenses</b>						
General government	9,580,379	8,943,223			9,580,379	8,943,223
Public protection	27,883,875	25,929,936			27,883,875	25,929,936
Public works	10,644,153	10,546,173			10,644,153	10,546,173
Community development	1,174,428	1,049,897			1,174,428	1,049,897
Library	1,282,257	1,341,845			1,282,257	1,341,845
Parks and recreation	3,163,506	2,932,819			3,163,506	2,932,819
Interest on long-term debt	824,517	416,322			824,517	416,322
Electric			61,974,538	61,106,066	61,974,538	61,106,066
Wastewater			12,526,711	13,422,950	12,526,711	13,422,950
Water			11,013,911	(34,876,879)	11,013,911	(34,876,879)
Transit			3,833,786	4,140,592	3,833,786	4,140,592
Total expenses	54,553,115	51,160,215	89,348,946	43,792,729	143,902,061	94,952,944
Changes in net position before transfers	(4,322,535)	(4,169,360)	13,016,531	58,564,900	8,693,996	54,395,539
Transfers	4,792,000	5,681,567	(4,792,000)	(5,681,567)		
Changes in net position	469,465	1,512,206	8,224,531	52,883,333	8,693,996	54,395,539
Net position at beginning of year, as previously reported	120,585,956	120,157,750	134,435,142	81,551,809	255,021,098	201,709,559
Adjustment to loans receivable		(1,084,000)				(1,084,000)
Adjustment for OPEB and deferred costs	(1,233,166)		(3,265,983)		(4,499,149)	
Net position at beginning of year, as restated	119,352,790	119,073,750	131,169,159	81,551,809	250,521,949	200,625,559
Net position at end of year	\$ 119,822,255	120,585,956	139,393,690	134,435,142	\$ 259,215,945	255,021,098

**Analysis of Changes in Net Position**

**Governmental activities**

Net position for the governmental activities increased by \$469,465 in the current fiscal year.

The key factors impacting the change in net position are:

- Charges for services decreased by 5.2%, a net amount of \$310,249 from the prior fiscal year, mainly from the decrease from recycled water revenue of \$320,000.
- Operating grants and contributions increased by \$344,585 or 14.72% compared to the prior year from the increase in police special grants of \$272,091 and increase in gas tax allocations of \$138,362.
- Capital grants and contributions increased by \$1,143,435 or 27.12% from the prior fiscal year. The increase in capital contributions was mainly attributable to federal funds used for the Harney Lane Grade Separation project and the Sacramento Street Pedestrian Beautification project totaling \$1,761,762, offset by the decrease of impact fees of \$284,137 and decrease in CDBG allocation of \$153,017.
- Property taxes increased by \$540,446 or 4.42% compared to prior year. The economy continues to show evidence of positive movement particularly in the housing market. Rising home prices coupled with record lows in mortgage rates are helping the process to generate sales, resulting in an increase in property tax revenues in the current year.
- Grants and contributions not restricted to specific programs increased by \$755,674 or 8.05% basically from sales tax revenues which increased by \$761,289. The overall increase in sales tax is attributed to a general increase in consumer spending and steady increase in auto sales spurred by low interest rates, easy credit and manufacturer's incentives.
- Rent increased by \$536,147 or 39.15% from prior fiscal year. This increase is primarily from the increase in NCPA rent of \$503,987, which includes the recycled water revenue received in prior year. The difference is offset by various small increases in other revenues.

Expenses for governmental functions totaled \$54,553,115, an increase of \$3,392,900 from the prior fiscal year. The key elements of this increase are:

- General government – the increase in general government of \$637,156 is primarily due to increase in utilities of \$154,973; increase in salaries and benefits including the Council approved one-time payment given to employees, the increase of cap for medical premiums and the termination of furloughs for the General Services and Maintenance and Operators bargaining units of \$208,740; repairs to communication equipment and buildings of \$102,865. Other insignificant increases offset the difference.
- Public protection – a significant increase of \$1,953,939 in public protection is primarily due to increase in salary and benefits which include increase in CalPERS contributions of \$252,000, increase due to the one-time payment approved by Council of \$351,321, increase in part time pay of \$130,554, overtime of \$60,974, increase in uniform allowance of \$110,100, increase in medical insurance of \$71,545, increase in other benefits of \$204,100, increase in professional services related to the CalGrip grant of \$117,438, purchase of grant equipment of \$196,920, increase in training and education including Peace Officer Standards and Training (POST) reimbursements of \$69,130. Other insignificant increases offset the difference.
- Parks and recreation – the increase of \$230,687 is primarily due to increase in salaries and other benefits and repairs that were previously deferred.
- Interest on long-term debt – the increase of \$408,195 represents the full year interest of the 2012 Refunding bonds; prior year was only for six months.

### **Business-type activities**

Business-type activities increased the City's net position by \$8,224,531 in the current year. The key elements of this increase are:

- Cost of services paid to the General Fund decreased by \$752,390 in Electric, \$383,480 in Wastewater, and \$280,120 in Water.
- Decrease in interest expense in the current year of \$467,147.
- Increase in reimbursement for the installation of granular activated carbon filters (GAC) at City Well No.6R of \$521,202.

- Wastewater and water rates were increased during the year resulting in increased charges for services revenues of \$557,877 and \$315,037, respectively. Charges for services in the Electric fund increased by \$1,463,163 primarily from sales due to growth and increased usage by commercial customers.
- The receipt of Greenhouse gas allowance (GHG) of \$453,104 in the Electric fund related to Assembly Bill 32: Global Warming Act, which set the 2020 greenhouse gas emissions reduction into law and also adopted a regulation that established a system of market-based declining annual aggregate emission limits for sources or categories of sources that emit greenhouse gases. In 2011, the California Air Resources Board (ARB) adopted the cap-and-trade regulation. This program covers major sources of GHG emissions in the State such as refineries, power plants, industrial facilities, and transportation fuels. The cap-and-trade program includes an enforceable emissions cap that will decline over time. The State distributes allowances which are tradable permits, equal to emissions allowed under the cap.
- Bulk power cost decreased by \$1,887,547 compared to the prior year primarily due to a decrease in transmission costs and an increase in credits to the General Operating reserves at NCPA from budget settlements including interest earnings.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

### **Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, special revenue funds, debt service fund and capital projects funds.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$21,142,969. This represents an increase of \$1,130,468 in comparison to the prior year resulting from the increase in total revenues offset by the decrease in transfers in, and the increase in capital outlay.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$9,133,366 while total fund balance was \$9,473,760. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent 25.53% and 26.48% of total General Fund expenditures, respectively.

The fund balance of the General Fund increased by \$1,508,548 during the current fiscal year. Key factors in this growth are as follows:

- Total revenues increased by \$1,877,753, primarily from increase in rent of \$519,876; increase in sales tax of \$761,289; increase in property tax of \$359,840, real property transfer tax of \$35,165, and property tax in-lieu of \$145,440. Other insignificant increases and decreases offset the difference.
- Total expenditures increased by \$944,788, primarily from increase in salaries of \$608,820; increase in uniform allowance of \$110,100, increase in CalPERS contribution of \$252,000, and increase in other benefits of \$126,400. Other insignificant increase and decreases offset the difference.

- Transfers in for cost of services decreased by \$752,390 from Electric fund and \$280,120 from Water fund.
- Transfers out for debt service increased by \$224,955 for the 2012 refunding certificates of participation and transfer out to Parks, Recreation and Community Services fund increased by \$177,405; offset by the decrease in transfers to the Capital Outlay Reserve fund of \$355,430.

### **Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at the end of the year for the Wastewater Fund was \$14,256,536, Water Fund was \$1,878,877 and for the Transit Fund, \$3,978,931. The Electric Fund unrestricted net position was (\$3,579,728) and the Internal Services Funds unrestricted net position was (\$320,141).

Other factors concerning the finances of these funds are discussed in the City's business-type activities.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final budget in the General Fund were a net increase in appropriations of \$928,892. The increase in appropriations can be briefly summarized as follows:

- \$175,273 increase in general government
- \$709,363 increase in public protection
- \$44,256 increase in library

Significant differences between the final budget and the actual revenues and expenditures can be briefly summarized as follows:

- Taxes – a favorable variance of \$546,296 was due to positive variances in property tax (\$157,828), real property transfer tax (\$51,114), transient occupancy tax (\$83,783), in-lieu of vehicle license fees (\$62,507), business license tax (\$97,784), cable TV franchise fees (\$22,479), waste removal franchise fees (\$49,702), electric, gas and industrial waste franchise (\$42,718), offset by a negative variance in card room tax (\$21,619).
- Intergovernmental revenues – a favorable variance of \$351,298 was mainly due to a positive variance in sales tax (\$454,135) offset by a negative variance in Police Hiring grant (\$125,016).
- Fines, forfeits and penalties – a favorable variance of \$301,931 resulted largely from a positive variance in late payment fees (\$346,439), offset by a negative variance in vehicle code and moving violation (\$49,033).
- For expenditures, a favorable variance between the final budget and actual expenditures of \$1,109,507 was due to savings from vacancies and the continued overall effort to reduce spending and costs.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$359,857,403 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, infrastructure, works of art, and construction in progress. The total decrease in the City's investment in capital assets for the current fiscal year was \$1,989,728, a 0.55% decrease (a 1.10% decrease in governmental activities and 0.25% decrease in business-type activities) as shown in the table below.

	Changes in Capital Assets, Net of Depreciation				Total	
	Governmental Activities		Business-type Activities			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 24,933,134	\$ 24,094,424	\$ 5,535,718	\$ 5,535,718	\$ 30,468,852	\$ 29,630,142
Construction in Progress	4,407,042	6,074,289	4,029,855	3,901,025	8,436,897	9,975,314
Buildings and Improvements	38,288,041	37,263,520	31,130,846	31,368,774	69,418,887	68,632,294
Machinery and Equipment	726,413	1,064,146	191,198,079	191,367,138	191,924,492	192,431,284
Vehicles	1,318,240	816,472	2,714,453	3,033,279	4,032,693	3,849,751
Infrastructure	55,270,675	57,023,439			55,270,675	57,023,439
Work of Art	304,907	304,907			304,907	304,907
Total	<u>\$ 125,248,452</u>	<u>\$ 126,641,197</u>	<u>\$ 234,608,951</u>	<u>\$ 235,205,934</u>	<u>\$ 359,857,403</u>	<u>\$ 361,847,131</u>

An increase in land compared to prior year was primarily due to land improvements at the DeBenedetti Park and Century Meadows Park. The increase in vehicles resulted from the purchase of a fire truck from the City of Lincoln.

Additional information on the City's capital assets can be found in Note 6 on pages 49-51 of this report.



**Long-term debt**

At the end of the current fiscal year, the City had total bonded debt outstanding of \$177,300,622. Of this amount, \$20,004,080 is the outstanding balance of the bonds issued to fund the new public safety building, refinancing of the performing arts center and the downtown and Cherokee Lane improvements. The total of \$157,296,542 from the business-type activities consists of \$36,777,205 for the Water Fund; \$49,230,981 for the Wastewater Fund; and \$71,288,356 for the Electric Fund.

City of Lodi's Outstanding Debt

	<u>Governmental Activities</u>	<u>Business-type activities</u>	<u>Total</u>
Certificates of Participation and Revenue Bonds	\$ 20,004,080	157,296,542	177,300,622

The City's total bonded debt decreased by \$10,500,054 during the current fiscal year.

**Bond Rating**

In September 2014, Standard & Poor's Rating Services affirmed the rating on outstanding electric utility debt instruments of A- with a stable outlook. In November 2014, Fitch Rating Services affirmed it's a- rating with a stable outlook but noted the closure of General Mills and the utility's declining cash levels, saying its rating hinged on the City approving a 5-percent rate increase and subsequent 2-percent increases.

In February 2014, Standard & Poor's Rating Services affirmed its rating of AA- with a stable outlook in regards to the \$38,665,000 Water Revenue bonds. Moody's Investor Services affirmed its rating of Aa3 to this issue in October 2014.

In July 2014, Fitch Rating Services affirmed the rating on outstanding public improvement bonds at AA- with a stable outlook and assigned an implied general obligation bond rating of AA.

In July 2014, Fitch Rating Services upgraded its rating to AA- with a stable outlook in regards to the outstanding Wastewater Revenue bonds.

Additional information on the City's long-term debt can be found in Note 8 on pages 52-58 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City continues to see a number of positive economic indicators and is slowly returning to revenue levels seen before the Great Recession. General Fund revenues including transfers from other funds are projected to increase for the third consecutive year from \$42,198,820 in 2013/14 to a conservatively projected \$43,591,060 in 2014/15.

This past year has seen the continued growth for Costco and Home Depot stores. Moreover, plans are now on file for construction of several businesses and additional retailers are moving forward with plans to complete other sections of the development at Reynolds Ranch. Additionally, the Lodi Shopping Center is moving forward and is under construction.

The General Fund continues to be of greatest focus. It funds all of the core municipal services including police, fire, administration, economic development, transfers to the parks and library funds and other essential public services. The General Fund houses the large majority of City employees.

The City has reduced its workforce by 20% over the past ten years, from 470 full-time budgeted employees in 2004/05 to 382 full-time budgeted employees in 2014/15. Employees agreed to historic salary and benefit changes that permanently reduced salary and benefits for all employee groups (except IBEW) as of January 1, 2014. As of January 2015, IBEW members will also begin paying the full employee cost of retirement.

Balancing the 2014/15 budget involves balancing several critical issues: employee costs and retirement contributions; capital programs; and cost increases beyond the City's control that were either imposed by external entities or negotiated by the City with its bargaining groups.

The City had been operating under annual concession agreements with all of its bargaining units. While concession agreements have allowed the City to meet its budgetary requirements, such concession agreements are not conducive to long-term planning. Of the City's nine bargaining units, eight have agreements that expired during FY 2011/12. The City negotiated successor agreements which contained structural changes in salary and benefits with all of these units, along with modifying the benefits for Executive, Council Appointees and Confidential employees. Similar structural changes were negotiated with IBEW in a successor agreement that is set to expire on December 31, 2017. The City is currently negotiating with the eight bargaining units whose agreements expire in 2014/2015.

Employee costs and contributions – Prior to the economic downturn, Lodi and its employees aggressively moved to manage employment costs. Positions not deemed vital to City operations were held vacant, and other departmental expenses were closely monitored. Importantly, as the economy plummeted, in March 2009, City employees made a number of temporary salary and benefit concessions to reduce salary costs, including salary reductions, furloughs, and waiving of the City's deferred compensation match. These concessions alone were valued at over \$2.3 million for FY 2009-10, \$2.7 million for FY 2010-11, and \$3.0 million for FY 2011-12. Consequently, the City largely avoided employee layoffs and drastic service cuts so common in other cities. In 2013, the majority of employees agreed to a historic restructuring of their salary and benefits, permanently reducing employee expenses. Employees agreed to paying their full seven or nine percent retirement contribution and capping the City's medical costs. The effect of these agreements was to reduce employment costs seven to nine percent below the 2007/08 levels.

Coming to 2014/15, the City negotiated an additional one-year agreement with all of its bargaining units (except IBEW). For the first time since 2007/08, the City returned a portion of the concessions agreed to by employees, issuing a one-time payment of \$2,300 per employee to all employees, and increasing the medical cap to January 2014 rates. In addition, the City increased safety uniform allowances by 1 percent on a one-year non-PERSable basis. As noted earlier, the City has negotiated an agreement with IBEW that includes the employees in that bargaining unit paying their seven percent share of retirement costs.

The City has also used early retirement to reduce its work force. Over the course of the last five years, the City has offered a retirement incentive multiple times to selected employee classifications. As employees have accepted the incentive, the City has left the positions vacant. A total of 40 employees have taken advantage of the retirement incentive. Cumulative annual salary savings from the position reductions is \$2.7 million. More importantly, the position reductions will mitigate the impact of the CalPERS crisis as the City rolls into increased rates over the next five years.

Capital programs – The City continues to utilize one-time funds for capital maintenance, rather than ongoing operations. In prior years, the City assessed its physical plant and is using one-time funds generated by the Lodi Energy Center, to address deferred maintenance projects on its

buildings. Scheduled to be completed this year are parking lot, carpet and roof improvements to various facilities. Additionally, the FY 2014/15 budget allocates funding for the replacement of the City's financial and billing systems. The above projects total about \$1.0 million.

Imposed Costs – While revenues have increased nearly \$1.4 million, the cost of retirement and insurance continue to rise. In the last few years, CalPERS has revised a number of its actuarial assumptions and policies. Rates for 2014/15 incorporate the impact of changes to the discount rate approved in prior years. Rates for Miscellaneous plan employees rose 11.1 percent while Safety plan rates increased 7.9 percent. Total additional cost to the City is about \$500,000. In December of 2013, CalPERS released its long awaited five-year rate projections resulting from its major policy shift regarding the time frame within which it recovers market losses. In years past, CalPERS recovered these losses over a 30-year rolling period. In 2013, CalPERS reduced that time frame to ten years. The increase is phased in on a bell curve over five years and decreasing for the last five. The bell curve structure means Lodi will see its greatest impact in the 2019/20 budget year. Projected contribution rates ranges from 18% to 26.1% for the Miscellaneous group, and 38.49% to 48.1% for the Safety group, in the next five years.

A second cost increase that is a cause of concern is rapidly increasing health care costs. While the City has negotiated a medical insurance cap with its bargaining units, costs are expected to increase and impact the net pay of the workforce. Staff is evaluating the impact of the Affordable Care Act and believes that prudent management of part-time hours will allow the City to avoid an economic impact.

A third cost increase that is a cause of concern is worker's compensation. The City is self-funded for worker's compensation costs. There has been a moderation in the cost and severity of claims and the City has funded its actuarial liability at slightly more than the 80% percent confidence level. Staff continues to manage the program and provide education to employees to minimize injuries and work time losses.

#### Economic Development

During this difficult economic time, the City has fared better than the surrounding area, as a whole. While not immune to the current foreclosure crisis, the City housing stock has seen fewer foreclosures and has maintained housing values better than the surrounding communities.

The City's unemployment rate continues to track roughly 3 percent lower than that of San Joaquin County. The City's diversified economic base continues to help the City maintain its revenue base.

Although agriculture is an important part of the City's past, present and future by providing residents with employment on farms and in processing plants, even more jobs can be found in food and plastics manufacturing and in health-related businesses.

Lodi Memorial Hospital, Blue Shield and Cottage Bakery have the highest year-round employment in the City, and large national and international manufacturers such as CertainTeed find the City an attractive base for their West Coast operations. The City was disappointed with the announcement that the General Mills plant would be closing by the end of 2016. City staff, including the newly hired Business Development Manager, is in discussions with General Mills staff regarding the marketing and re-use of the site as General Mills closes the plant. While a major employer, staff is optimistic that a suitable replacement will be found timely and not significantly impact City operations.

#### **REQUEST FOR INFORMATION**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Financial Services Division of the City of Lodi at 310 W. Elm Street, Lodi, California, 95240.

**(This page intentionally left blank.)**

## BASIC FINANCIAL STATEMENTS

---

The Government-wide Financial Statements provide a broad overview of the City's financial position and operating results. Information is grouped by governmental activities or business-type activities.

The Fund Financial Statements report information about the City's Governmental Funds, Proprietary Funds, and the Fiduciary Funds.

The notes have an integral role in disclosing information essential to the fair presentation of the Basic Financial Statements.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

---

**CITY OF LODI**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 35,131,234	28,946,846	\$ 64,078,080
Accounts receivable, net	4,090,347	10,460,766	14,551,113
Property tax receivable	10,654		10,654
Interest receivable	9,111	10,574	19,685
Internal balances	(1,679,025)	1,679,025	
Due from other governmental agencies	1,504,037	1,282,320	2,786,357
Restricted assets		34,412,585	34,412,585
Loans receivable		34,067	34,067
Advance receivable		6,212,109	6,212,109
Inventory	142,534	3,410,424	3,552,958
Other assets	10,772	468	11,240
Capital assets, net:			
Nondepreciable	29,645,083	9,565,573	39,210,656
Depreciable, net	95,603,369	225,043,378	320,646,747
<b>TOTAL ASSETS</b>	<u>164,468,116</u>	<u>321,058,135</u>	<u>485,526,251</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized losses on defeasance	<u>462,397</u>	<u>7,371,560</u>	<u>7,833,957</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	3,499,532	6,787,631	10,287,163
Accrued salaries and wages	910,374		910,374
Accrued interest	211,203	2,466,625	2,677,828
Unearned revenue	57,986	1,527,631	1,585,617
Long-term liabilities:			
Due within one year	2,799,438	8,049,259	10,848,697
Due in more than one year	37,629,725	170,204,859	207,834,584
<b>TOTAL LIABILITIES</b>	<u>45,108,258</u>	<u>189,036,005</u>	<u>234,144,263</u>
<b>NET POSITION</b>			
Net investment in capital assets	105,461,769	116,156,098	221,617,867
Restricted for:			
Road-related projects	3,987,407		3,987,407
Capital projects	6,442,038		6,442,038
Debt service		6,702,976	6,702,976
Public safety	271,213		271,213
Community development	1,108,043		1,108,043
Unrestricted	2,551,785	16,534,616	19,086,401
<b>TOTAL NET POSITION</b>	<u>\$ 119,822,255</u>	<u>139,393,690</u>	<u>\$ 259,215,945</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF LODI**  
**STATEMENT OF ACTIVITIES**  
**Year ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	\$ 9,580,379	1,955,082	54,826	79,286	(7,491,185)		\$ (7,491,185)
Public protection	27,883,875	581,620	1,506,712	246,041	(25,549,502)		(25,549,502)
Public works	10,644,153	415,345	1,100,079	4,513,129	(4,615,600)		(4,615,600)
Community development	1,174,428	1,218,805			44,377		44,377
Library	1,282,257	42,902	24,294	350,000	(865,061)		(865,061)
Parks and recreation	3,163,506	1,478,954		170,614	(1,513,938)		(1,513,938)
Interest on long-term debt	824,517				(824,517)		(824,517)
Total governmental activities	54,553,115	5,692,708	2,685,911	5,359,070	(40,815,426)		(40,815,426)
Business-type activities:							
Electric	61,974,538	64,692,808	1,564,736	89,641		4,372,647	4,372,647
Wastewater	12,526,711	14,305,093		593,359		2,371,741	2,371,741
Water	11,013,911	12,756,076	614,377	682,289		3,038,831	3,038,831
Transit	3,833,786	202,897	2,252,145	1,480,974		102,230	102,230
Total business-type activities	89,348,946	91,956,874	4,431,258	2,846,263		9,885,449	9,885,449
Total primary government	\$ 143,902,061	97,649,582	7,117,169	8,205,333	(40,815,426)	9,885,449	\$ (30,929,977)
General revenues:							
Taxes:							
Property taxes					12,758,079		12,758,079
Franchise taxes					8,838,369		8,838,369
Business license tax					1,528,165		1,528,165
Transient occupancy tax					593,783		593,783
Grants and contributions not restricted to specific programs					10,138,096		10,138,096
Investment earnings					202,819	757,294	960,113
Rent					1,905,709	4,200	1,909,909
Other					527,871	2,369,588	2,897,459
Transfers					4,792,000	(4,792,000)	
Total general revenues and transfers					41,284,891	(1,660,918)	39,623,973
Change in net position					469,465	8,224,531	8,693,996
Net position, beginning of year, restated					119,352,790	131,169,159	250,521,949
Net position, end of year					\$ 119,822,255	139,393,690	\$ 259,215,945

The notes to the financial statements are an integral part of this statement.



## FUND FINANCIAL STATEMENTS

---

## FUND FINANCIAL STATEMENTS

### **Governmental Fund Types**

Governmental funds consist of the General Fund, special revenue funds, debt service fund and capital projects funds.

#### **Major Governmental Fund:**

##### **General Fund**

This fund is maintained to account for all financial resources that are not restricted as to their use. This includes property and sales taxes, business tax receipts, franchise taxes and various subventions such as Motor Vehicle In-Lieu fees received from the State of California. With the exception of grant programs, General Fund resources can be utilized for any legitimate governmental purpose.

### **Proprietary Fund Types**

Proprietary funds consist of the enterprise funds and the internal service funds.

#### **Major Enterprise Funds include:**

##### **Electric Fund**

The City established this fund in order to account for the provision of electric services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including but not limited to, source of supply, overhead, systems maintenance, customer service, engineering, administration, capital improvements maintenance and debt service.

**Wastewater Fund**

This fund was established by the City in order to account for the provision of waste water collection and treatment services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, improvements and debt service.

**Water Fund**

This fund was established by the City in order to account for the provision of water to the residents of the City as well as some customers in the County. All activities to provide such services are accounted for in this fund, including, but not limited to administration, operations, distribution, maintenance, capital improvements and debt service.

**Nonmajor Enterprise Fund:****Transit Fund**

This fund is used to account for the operations of the Dial-A-Ride and the Grapeline bus system.

**Fiduciary Fund Types****Private-purpose Trust Funds**

These funds are used to account for assets held by the Library Board as trustee of the Lodi Public Library and for assets held by the City in accordance with the trust agreement on behalf of the Hutchins Street Square.

**Agency Fund**

This fund was established to account for special assessments collected on the property tax roll by the City on behalf of the property owners within the Industrial Way Beckman Districts and the Downtown and Cherokee Lane Districts and various landscape and lighting districts around the City.

**CITY OF LODI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 8,866,528	12,689,783	\$ 21,556,311
Receivables:			
Accounts, net	3,806,340	284,007	4,090,347
Property taxes	10,654		10,654
Interest	2,776	2,844	5,620
Due from other funds		111,112	111,112
Due from other governmental agencies	16,702	1,487,335	1,504,037
Inventory		3,748	3,748
Other assets	10,310	362	10,672
<b>Total assets</b>	<b>\$ 12,713,310</b>	<b>14,579,191</b>	<b>\$ 27,292,501</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and other liabilities	\$ 2,302,192	1,044,136	\$ 3,346,328
Accrued salaries and wages	910,374		910,374
Due to other funds		111,112	111,112
Advances from other funds		1,679,025	1,679,025
Unearned revenue	26,984	31,002	57,986
<b>Total liabilities</b>	<b>3,239,550</b>	<b>2,865,275</b>	<b>6,104,825</b>
<b>Deferred inflows of resources:</b>			
Unavailable revenue		44,707	44,707
<b>Fund balances:</b>			
Nonspendable			
Inventory		3,748	3,748
Other assets	10,310		10,310
Restricted			
Road-related projects		3,987,407	3,987,407
Capital projects		6,397,331	6,397,331
Public safety		271,213	271,213
Community development		1,108,043	1,108,043
Committed			
Video- related capital projects	300,758		300,758
Assigned			
Encumbrances - supplies, materials and services	29,326		29,326
Unassigned	9,133,366	(98,533)	9,034,833
<b>Total fund balances</b>	<b>9,473,760</b>	<b>11,669,209</b>	<b>21,142,969</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 12,713,310</b>	<b>14,579,191</b>	<b>\$ 27,292,501</b>

**CITY OF LODI**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2014**

Amounts reported for governmental activities in the statement of net position are different because:

Fund balances - total governmental funds	\$ 21,142,969
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	
Nondepreciable capital assets	29,645,083
Depreciable capital assets, net	95,574,427
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds as follows:	
Compensated absences	(6,295,846)
Long-term debt	(19,325,000)
Issuance premium (to be amortized as interest expense)	(924,080)
Unamortized losses on defeasance (to be amortized as interest expense)	462,397
Accrued interest	(211,203)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	44,707
Internal service funds are used by management to charge the costs of general liability insurance, workers' compensation insurance, health benefits insurance, other insurance, employee benefits and the cost of operating and maintaining the City's fleet to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	(291,199)
Net position of governmental activities	\$ <u><u>119,822,255</u></u>

**CITY OF LODI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year ended June 30, 2014**

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 23,718,396		\$ 23,718,396
Licenses and permits	83,420	768,586	852,006
Intergovernmental revenues	11,319,708	6,072,465	17,392,173
Charges for services	1,025,851	2,532,373	3,558,224
Fines, forfeits and penalties	1,552,531	3,900	1,556,431
Investment and rental income	1,548,787	475,971	2,024,758
Miscellaneous revenue	352,331	651,043	1,003,374
Total revenues	<u>39,601,024</u>	<u>10,504,338</u>	<u>50,105,362</u>
Expenditures:			
Current:			
General government	6,482,226	2,536,519	9,018,745
Public protection	26,470,110	622,447	27,092,557
Public works	1,554,939	2,838,150	4,393,089
Community development		1,191,901	1,191,901
Library	1,267,850		1,267,850
Parks and recreation		2,299,213	2,299,213
Capital outlay		7,652,128	7,652,128
Debt service:			
Interest and fiscal charges		851,411	851,411
Total expenditures	<u>35,775,125</u>	<u>17,991,769</u>	<u>53,766,894</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,825,899</u>	<u>(7,487,431)</u>	<u>(3,661,532)</u>
Other financing sources (uses):			
Transfers in	3,952,000	7,643,681	11,595,681
Transfers out	(6,269,351)	(534,330)	(6,803,681)
Total other financing sources (uses)	<u>(2,317,351)</u>	<u>7,109,351</u>	<u>4,792,000</u>
Net change in fund balances	1,508,548	(378,080)	1,130,468
Fund balances, beginning of year	<u>7,965,212</u>	<u>12,047,289</u>	<u>20,012,501</u>
Fund balances, end of year	<u>\$ 9,473,760</u>	<u>11,669,209</u>	<u>\$ 21,142,969</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF LODI**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**Year ended June 30, 2014**

Amounts reported for governmental activities are different because:

Net change in fund balances - total governmental funds	\$	1,130,468
--	----	-----------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays, capital contributions and depreciation expense are as follows:

Capitalized capital outlays		7,652,128
Capital asset contributions		41,315
Depreciation expense		(9,084,740)

Internal service funds are used by management to charge the costs of general liability insurance, workers' compensation insurance, health benefits insurance, other insurance, employee benefits and the cost of operating and maintaining the City's fleet to individual funds. The net revenue (expenses) of the internal service funds are reported with governmental activities.

415,169

Other expenses in the statement of activities that do not use current financial resources are not reported as expenditures in the governmental funds.

Change in compensated absences		288,231
Amortization of loss on defeasance		(26,936)
Amortization of bond premium		53,830

Change in net position of governmental activities	\$	<div style="border-top: 1px solid black; border-bottom: 3px double black;">469,465</div>
---	----	--

**CITY OF LODI**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2014**

	Business-type Activities-Enterprise Funds					Governmental Activities - Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total	
<b>ASSETS</b>						
Current assets:						
Cash and investments	\$ 5,929,528	14,249,392	7,027,567	1,740,359	\$ 28,946,846	\$ 13,574,923
Restricted cash and investments			15,371,480		15,371,480	
Restricted assets with fiscal agents	12,065,079	88,927	4,717,249		16,871,255	
Receivables:						
Accounts, net	6,597,596	1,006,226	894,707	1,962,237	10,460,766	
Interest	1,538	3,696	4,889	451	10,574	3,491
Due from other governmental agencies		7,150	55,170	1,220,000	1,282,320	
Advance receivable	6,212,109				6,212,109	
Loans receivable	34,067				34,067	
Inventory	3,022,265	24,100	364,059		3,410,424	138,786
Other assets		432	36		468	100
Total current assets	<u>33,862,182</u>	<u>15,379,923</u>	<u>28,435,157</u>	<u>4,923,047</u>	<u>82,600,309</u>	<u>13,717,300</u>
Noncurrent assets:						
Restricted assets with fiscal agents		2,169,850			2,169,850	
Advances to other funds		505,000	1,174,025		1,679,025	
Capital assets, net:						
Nondepreciable	763,785	4,262,926	3,956,155	582,707	9,565,573	
Depreciable, net	42,035,850	85,119,887	83,311,202	14,576,439	225,043,378	28,942
Total capital assets	<u>42,799,635</u>	<u>89,382,813</u>	<u>87,267,357</u>	<u>15,159,146</u>	<u>234,608,951</u>	<u>28,942</u>
Total noncurrent assets	<u>42,799,635</u>	<u>92,057,663</u>	<u>88,441,382</u>	<u>15,159,146</u>	<u>238,457,826</u>	<u>28,942</u>
TOTAL ASSETS	<u>76,661,817</u>	<u>107,437,586</u>	<u>116,876,539</u>	<u>20,082,193</u>	<u>321,058,135</u>	<u>13,746,242</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Unamortized losses on defeasance	<u>5,429,800</u>	<u>1,941,760</u>			<u>7,371,560</u>	
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and other liabilities	3,616,624	138,262	2,833,020	199,725	6,787,631	153,204
Accrued interest	1,742,976	546,994	176,655		2,466,625	
Unearned revenue			868,218	659,413	1,527,631	
Self-insurance liability						1,050,613
Accrued compensated absences	281,172	191,939	22,201	24,772	520,084	34,998
Certificates of participation and revenue bonds payable	<u>4,984,909</u>	<u>1,674,566</u>	<u>869,700</u>		<u>7,529,175</u>	
Total current liabilities	<u>10,625,681</u>	<u>2,551,761</u>	<u>4,769,794</u>	<u>883,910</u>	<u>18,831,146</u>	<u>1,238,815</u>
Noncurrent liabilities:						
Self-insurance liability						7,971,146
Accrued compensated absences	602,059	662,265		60,206	1,324,530	60,206
Certificates of participation and revenue bonds payable	66,303,447	47,556,415	35,907,505		149,767,367	
Net OPEB obligation						4,767,274
Pollution remediation obligation			19,112,962		19,112,962	
Total noncurrent liabilities	<u>66,905,506</u>	<u>48,218,680</u>	<u>55,020,467</u>	<u>60,206</u>	<u>170,204,859</u>	<u>12,798,626</u>
TOTAL LIABILITIES	<u>77,531,187</u>	<u>50,770,441</u>	<u>59,790,261</u>	<u>944,116</u>	<u>189,036,005</u>	<u>14,037,441</u>
<b>NET POSITION</b>						
Net investment in capital assets	1,437,182	44,352,369	55,207,401	15,159,146	116,156,098	28,942
Restricted:						
Debt service	6,702,976				6,702,976	
Unrestricted	<u>(3,579,728)</u>	<u>14,256,536</u>	<u>1,878,877</u>	<u>3,978,931</u>	<u>16,534,616</u>	<u>(320,141)</u>
TOTAL NET POSITION	<u>\$ 4,560,430</u>	<u>\$ 58,608,905</u>	<u>\$ 57,086,278</u>	<u>\$ 19,138,077</u>	<u>\$ 139,393,690</u>	<u>\$ (291,199)</u>



**CITY OF LODI**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**Year ended June 30, 2014**

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total	
OPERATING REVENUES						
Charges for services	\$ 64,692,808	14,305,093	12,756,076	202,897	\$ 91,956,874	\$ 11,683,362
OPERATING EXPENSES						
Personnel services	5,923,471	3,215,190	2,392,611	322,972	11,854,244	1,079,863
Supplies, materials and services	11,943,754	2,145,745	3,014,227	2,489,192	19,592,918	7,682,515
Utilities	37,354,466	642,508	648,233	69,505	38,714,712	16,025
Depreciation	1,780,427	4,079,800	2,816,296	952,117	9,628,640	1,448
Claims						2,641,915
TOTAL OPERATING EXPENSES	57,002,118	10,083,243	8,871,367	3,833,786	79,790,514	11,421,766
OPERATING INCOME (LOSS)	7,690,690	4,221,850	3,884,709	(3,630,889)	12,166,360	261,596
NONOPERATING REVENUES (EXPENSES)						
Investment income	136,524	427,308	179,734	13,728	757,294	83,903
Interest expense	(3,787,607)	(2,443,468)	(2,142,544)		(8,373,619)	
Operating grants	1,111,632		614,377	2,252,145	3,978,154	
Greenhouse gas allowance	453,104				453,104	
Loss on disposal of capital assets	(1,184,813)				(1,184,813)	
Other revenues	1,113,884	277,657	825,314	156,933	2,373,788	69,670
TOTAL NONOPERATING REVENUES (EXPENSES)	(2,157,276)	(1,738,503)	(523,119)	2,422,806	(1,996,092)	153,573
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	5,533,414	2,483,347	3,361,590	(1,208,083)	10,170,268	415,169
Capital contributions	89,641	593,359	682,289	1,480,974	2,846,263	
Transfers out	(2,444,000)	(1,318,000)	(1,030,000)		(4,792,000)	
Net capital contributions and transfers	(2,354,359)	(724,641)	(347,711)	1,480,974	(1,945,737)	
Change in net position	3,179,055	1,758,706	3,013,879	272,891	8,224,531	415,169
NET POSITION - BEGINNING OF YEAR, restated	1,381,375	56,850,199	54,072,399	18,865,186	131,169,159	(706,368)
NET POSITION - END OF YEAR	\$ 4,560,430	58,608,905	57,086,278	19,138,077	\$ 139,393,690	\$ (291,199)

The notes to the financial statements are an integral part of this statement.

CITY OF LODI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year ended June 30, 2014

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total	
Cash flows from operating activities:						
Receipts from customers and users	\$ 63,530,313	14,471,272	13,655,473	359,830	\$ 92,016,888	\$ 92,195
Receipts from interfund services provided	219,645				219,645	11,683,362
Cash paid to suppliers for goods & services	(48,573,418)	(2,258,946)	(3,841,219)	(2,923,236)	(57,596,819)	(9,934,619)
Payments to employees	(5,923,128)	(3,255,491)	(2,395,895)	(323,843)	(11,898,357)	(1,090,922)
Payments for interfund services provided	(3,658)	(595,679)	(629,290)	(55,026)	(1,283,653)	
Net cash provided by (used in) operating activities	<u>9,249,754</u>	<u>8,361,156</u>	<u>6,789,069</u>	<u>(2,942,275)</u>	<u>21,457,704</u>	<u>750,016</u>
Cash flows from noncapital financing activities:						
Operating grants	1,111,632		614,377	2,008,693	3,734,702	
Repaid from other funds		128,571	35,000		163,571	
Received -greenhouse gas allowance	453,104				453,104	
Transfers out	(2,444,000)	(1,318,000)	(1,030,000)		(4,792,000)	
Net cash provided by (used in) noncapital financing activities	<u>(879,264)</u>	<u>(1,189,429)</u>	<u>(380,623)</u>	<u>2,008,693</u>	<u>(440,623)</u>	
Cash flows from capital and related financing activities:						
Fees received for water meter installations			405,677		405,677	
Acquisition and construction of capital assets	(1,024,584)	(763,054)	(7,293,029)	(501,973)	(9,582,640)	
Fees received from developers	89,641	176,141	60,000		325,782	
Capital grants received				1,607,923	1,607,923	
Principal payments on debt	(4,750,000)	(4,610,000)	(825,000)		(10,185,000)	
Interest payments on debt	(3,605,889)	(2,293,682)	(2,144,607)		(8,044,178)	
Net cash provided by (used in) capital and related financing activities	<u>(9,290,832)</u>	<u>(7,490,595)</u>	<u>(9,796,959)</u>	<u>1,105,950</u>	<u>(25,472,436)</u>	
Cash flows from investing activities:						
Interest on investments	113,760	214,600	166,938	14,139	509,437	87,460
Net increase (decrease) in cash and cash equivalents	(806,582)	(104,268)	(3,221,575)	186,507	(3,945,918)	837,476
Cash and cash equivalents, beginning of year	18,801,189	14,442,587	30,337,871	1,553,852	65,135,499	12,737,447
Cash and cash equivalents, end of year	<u>\$ 17,994,607</u>	<u>14,338,319</u>	<u>27,116,296</u>	<u>1,740,359</u>	<u>\$ 61,189,581</u>	<u>\$ 13,574,923</u>

(continued)

CITY OF LODI  
STATEMENT OF CASH FLOWS - continued  
PROPRIETARY FUNDS  
Year ended June 30, 2014

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total	
Reconciliation to the statement of net position:						
Cash and investments	\$ 5,929,528	14,249,392	7,027,567	1,740,359	\$ 28,946,846	\$ 13,574,923
Restricted cash and investments			15,371,480		15,371,480	
Restricted assets with fiscal agents - current	12,065,079	88,927	4,717,249		16,871,255	
Total cash and cash equivalents	<u>\$ 17,994,607</u>	<u>14,338,319</u>	<u>27,116,296</u>	<u>1,740,359</u>	<u>\$ 61,189,581</u>	<u>\$ 13,574,923</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating Income (loss)	\$ 7,690,690	4,221,850	3,884,709	(3,630,889)	\$ 12,166,360	\$ 261,596
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	1,780,427	4,079,800	2,816,296	952,117	9,628,640	1,448
Other revenues	1,113,884	277,657	825,314	156,933	2,373,788	69,670
Change in assets and liabilities:						
Decrease in loans receivable	98,334				98,334	
Decrease (increase) in accounts receivable	(1,114,755)	(116,947)	72,844		(1,158,858)	22,625
Increase in advance receivables	(941,979)				(941,979)	
Increase in due from other governmental agencies		(2,313)			(2,313)	
Decrease (increase) in inventory	(350,143)	(1,874)	(67,779)		(419,796)	2
Decrease (increase) in other assets		7,782	1,239		9,021	(100)
Increase (decrease) in accounts payable and other liabilities	972,953	(64,498)	1,768	(419,565)	490,658	(16,611)
Increase (decrease) in compensated absences	343	(40,301)	(3,284)	(871)	(44,113)	(11,059)
Decrease in self-insurance liability						(95,303)
Decrease in pollution remediation obligation			(742,038)		(742,038)	
Increase in net OPEB obligation						517,748
Net cash provided by (used in) operating activities	<u>\$ 9,249,754</u>	<u>8,361,156</u>	<u>6,789,069</u>	<u>(2,942,275)</u>	<u>\$ 21,457,704</u>	<u>\$ 750,016</u>
<u>Noncash Investing, Capital and Financing Activities</u>						
Capital asset contributions	\$	417,218	216,612		\$ 633,830	
Book value of disposed capital assets	1,184,813				1,184,813	

**CITY OF LODI**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2014**

	Private-Purpose Trust Funds	Agency Fund
ASSETS		
Cash and investments	\$ 272,711	\$ 425,592
Receivables:		
Interest		113
TOTAL ASSETS	<u>272,711</u>	<u>425,705</u>
LIABILITIES		
Agency obligations		<u>425,705</u>
NET POSITION - EXPENDABLE	<u>\$ 272,711</u>	<u>\$</u>

**CITY OF LODI**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**Year ended June 30, 2014**

	<u>Private-Purpose Trust Funds</u>
ADDITIONS	
Investment and rental income	\$ 26,554
DEDUCTIONS	
Current	
Library	<u>28,760</u>
CHANGE IN NET POSITION	(2,206)
NET POSITION, BEGINNING OF YEAR	274,917
NET POSITION, END OF YEAR	<u>\$ <u>272,711</u></u>

## NOTES TO BASIC FINANCIAL STATEMENTS

---

**(This page intentionally left blank.)**

CITY OF LODI  
Notes to Basic Financial Statements  
June 30, 2014

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) The Financial Reporting Entity**

The City of Lodi (City) was incorporated on December 6, 1906, as a municipal corporation under the General Laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: general government, public works, community development, public protection (police and fire), public utilities, library, parks and recreation.

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to governments in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles.

An elected five-member council governs the City of Lodi. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The component units, although legally separate entities, are, in substance, part of the City's operations and therefore, their activities are blended with data of the City.

**Blended Component Units**

The blended component units of the City are as follows:

The Lodi Public Improvement Corporation (LPIC) was formed on April 26, 1988, for the purpose of rendering financial assistance to the City in the issuance of the 1988 Certificates of Participation (refunded by the issuance of the 1991 Certificates of Participation) to finance the expansion of the City's White Slough Pollution Control Facility. Since then, several Certificates of Participation were issued to finance various major projects (See Note 8).

The City Council constitutes the Board of Directors of LPIC. The funds of LPIC have been included in the Enterprise (Electric and Wastewater) Funds and in the other governmental funds in the accompanying basic financial statements.

The Lodi Financing Corporation (LFC) was formed on October 12, 1999, for the purpose of assisting the City with the financing of the costs of its environmental abatement program and enhancing the water supply of the City for the use, benefit and enjoyment of the citizens served by the City. The City Council is the Board of Directors of LFC. The funds of LFC are included in the Water Fund in the accompanying basic financial statements.

The Lodi Public Financing Authority (LPFA) was created by a Joint Exercise of Powers Agreement between the City and the Industrial Development Authority (IDA) on July 21, 2010, for the purpose of assisting the City in the financings of public capital improvements. The 2010 Water Revenue Certificates of Participation Series A and B were issued in October 2010 to provide funds for a new water treatment facility.



CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

The City Council constitutes the Board of Directors of LPFA. The funds of LPFA have been included in the Enterprise (Water) Fund in the accompanying basic financial statements.

**(b) Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and *accrual basis of accounting*, as are the proprietary fund and private-purpose trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grant and similar items are recognized as revenue as soon as all eligibility requirements have been met. Agency funds use the accrual basis of accounting, but they do not have a measurement focus.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and *the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal year. All other revenues are considered to be available if they are generally collected within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

Property taxes, other local taxes, licenses, intergovernmental revenues, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered to be measurable and available when the City receives cash.

The City reports the following major governmental fund:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports the following major proprietary (enterprise) funds:

The **Electric Fund** accounts for the provision of electric services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including but not limited to, source of supply, overhead, systems maintenance, customer service, engineering, administration, capital improvements, and maintenance and debt service.

The **Wastewater Fund** accounts for the provision of wastewater collection and treatment services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, improvements and debt service.

The **Water Fund** accounts for the provision of water to the residents of the City as well as some customers in the County. All activities to provide such services are accounted for in this fund, including, but not limited to administration, operations, distribution, maintenance, capital improvements and debt service.

Additionally, the City reports the following fund types:

The **Internal Service Funds** account for the City's claims, benefits and fleet services.

The **Fiduciary Funds** account for assets held in trust for other agencies.

**Private-Purpose Trust Funds** are used to account for trust agreements under which the principal and income benefit individuals, private organizations or other governments. They were established to account for assets held and invested by the Library Board as trustee; and to account for assets held by the City in accordance with a trust agreement on behalf of the Hutchins Square. These funds can only be spent in accordance with the trust agreements.

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

**Agency Funds** account for assets held by the City as a trustee or as an agent for individuals, private organizations, related organizations and/or other governmental units. This fund was established to account for special assessments collected on the property tax roll by the City on behalf of the property owners within the Industrial Way/Beckman Districts, the Downtown/Cherokee Lane Districts and various landscape and lighting districts around the City.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges to other City departments from the Electric, Wastewater, Water and Transit Funds. These charges have not been eliminated because elimination would distort the direct costs and program revenues reported in the statement of activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges for customer services including: electric, wastewater, water and public transportation fees. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**(d) Cash and Investments**

The City maintains a cash and investment pool that is available for all funds of the City for the purpose of increasing interest earnings through investment activities. Investments are generally stated at fair value with the exception of guaranteed investment contracts, which are stated at cost. Income earned or losses arising from the investment of pooled cash are allocated to various funds based on month-end cash balances in accordance with California Government Code Section 53647. Changes in fair value of investments are recognized as a component of investment income.

**(e) Restricted Cash and Investments**

The City accounts for certain settlement payments for environmental remediation as restricted with the understanding that these funds will be used exclusively for environmental clean up, investigation or remediation expenses incurred by the City in the specified areas and that they will not be used for the payment of legal or technical fees. These funds are accounted for in the Water Fund.

**(f) Restricted Assets with Fiscal Agents**

Restricted assets represent the proceeds from debt and other cash and investments held by fiscal agents by agreement that meet the definition of cash and cash equivalents, with the exception of a \$2,169,850 guaranteed investment contract held in the Wastewater Fund which is a long-term investment.

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

In the Electric Fund, restricted assets represent the proceeds of the 2002D and the 2008 Certificates of Participation restricted for debt service. In the Wastewater Fund, the restricted assets represent the proceeds of the 2004A and the 2007A Certificates of Participation issued for improvements to the City's wastewater collection, treatment and disposal system. In the Water Fund, restricted assets represent the proceeds of the 2010A and 2010B Revenue Bonds issued for the purpose of providing funds to pay the cost of a new Water Treatment Facility.

**(g) Property Taxes**

San Joaquin County (County) is responsible for assessing, collecting and distributing property taxes in accordance with enabling legislation. Revenue received is based on an allocation factor calculated by the County under the provisions of Proposition 13, plus a percentage of the increase in market value in specific areas. The City's property tax lien is based on the assessed value listed as of the prior January 1st for all real and personal property located in the City. Property sold after the assessment date (January 1st) is reassessed and the amount of property tax assessed is prorated. The assessed value at January 1, 2013, upon which the 2013-14 levy was based, was \$5,129,408,000.

Secured property taxes are levied on October 1 and are due in two installments on November 1 and February 1. The tax becomes delinquent after December 10 and April 10, respectively. Unsecured property tax is levied on July 1, due on July 31 and becomes delinquent after August 31.

Property taxes levied for the year ended June 30, 2014, are recorded as receivables, net of estimated uncollectible amounts. Property taxes paid to the City by the County within 60 days of the fiscal year end are considered "available" and are, therefore, recognized as revenue in governmental funds.

In 1993, the City made an agreement with the San Joaquin County to participate in the Teeter Plan. The Teeter plan is an alternative method of apportioning property tax money. The City receives 95% of the property taxes in advance from the County and the 5% remaining after reconciling the City's balance at June 30. As part of the agreement, the County keeps the penalties and interest on the delinquent taxes.

**(h) Due From/Due To Other Funds, Advances To/Advances From Other Funds, and Internal Balances**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. In the fund financial statements, these receivables and payables are classified as "due from other funds" or "due to other funds." Long-term interfund loans receivable are reported as "advances to other funds." The corresponding long-term interfund loans payable are reported as "advances from other funds." In the government-wide financial statements, these receivables and payables are eliminated within the governmental activities and business-type activities columns. Receivables and payables between the governmental activities and the business-type activities are classified as internal balances.

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

**(i) Transfers**

In the fund financial statements, interfund transfers are recorded as transfers in (out) except for transactions that are described below:

Charges for services are recorded as revenues of the performing fund and expenditures/expenses of the requesting fund. Unbilled costs are recognized as an asset of the performing fund at the end of fiscal year.

Reimbursements for expenditures/expenses, initially made by one fund that is properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. Reimbursements are eliminated for purposes of government-wide reporting.

**(j) Long-term Obligations**

In the government-wide financial statements and in the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Gains or losses occurring from advance refunding are reported as deferred inflows and outflows of resources and amortized as an expense for both governmental and business-type activities.

**(k) Loans Receivable**

Loans receivable reported in the HOME Program and Community Development Block Grants Special Revenue Fund represent funds loaned to first-time homebuyers. Loans receivable in the Electric Enterprise Fund represent loans to eligible industrial and commercial customers participating in the Lodi Energy Efficiency Financing Pilot Project.

In December 2009, the City entered into a contractual relationship with the California Department of Housing and Community Development (HCD) to administer a First-time Homebuyers Program. The loan program is intended to provide deferred down-payment assistance to first-time homebuyers who are at or below 80% of the median income, for the purchase of homes within Lodi. The loan bears 2% interest and is due and payable 30 years from close of escrow, upon transfer of the property or when the home is no longer owner-occupied, whichever comes first.

In October 2010, the City established a loan fund in its public benefits program from which G2 electric utility rate commercial and industrial customers may borrow money to implement energy conservation projects in their facilities. The loan is at zero interest rate payable in two years capped at \$50,000 per customer. As of June 30, 2014, a total of eighteen loans to industrial and commercial customers have been approved.

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

**(l) Advance Receivable**

Advance receivable reported in the Electric Enterprise Fund represents the City's portion of the Northern California Power Agency's (NCPA) General Operating Reserve that is refundable upon demand by the City (See Note 12).

**(m) Inventory**

Other governmental funds inventories are recorded at cost and are recognized as expenditures when consumed rather than when purchased. For the proprietary fund types, inventories are recorded at cost using the weighted average cost method, which approximates market, and expense is recognized when inventories are consumed in operations.

**(n) Deferred Outflows of Resources**

Deferred outflows of resources reported in the Electric Enterprise Fund and business-type activities include refunding loss incurred in connection with the issuance of the 2008 Certificates of Participation Series A amortized over 24 years. The deferred outflows of resources reported in the Wastewater Enterprise Fund and business-type activities include refunding loss incurred on the issuance of the 2007A Certificates of Participation amortized over 20 years and the 2012 Refunding Revenue Bonds amortized over 11 years. Deferred outflows of resources reported in the governmental activities represent refunding loss incurred in the issuance of the 2012 Refunding Lease Revenue Bonds.

**(o) Capital Assets**

Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles, infrastructure (e.g., streets, streetlights, traffic signals, sidewalks, and bridges), and electric lines, wastewater lines and storm drains are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. Capital assets are defined by the City as assets with individual cost of \$3,000 or more and have an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures in the General and other governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful lives are not capitalized. As required by the Governmental Accounting Standards Board Statement No. 34, beginning July 1, 2002, the City has capitalized infrastructure, primarily its network of streets, as part of the capital assets shown in the governmental activities column on the government-wide statement of net position. This capitalization included infrastructure that could be identified and has been acquired since July 1, 1980.

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

Depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	3 - 40
Machinery and equipment	2 - 40
Vehicles	5 - 15
Infrastructure	10 - 50

**(p) Compensated Absences/Vacation and Sick Leave**

The City accrues for compensated absences, in the government-wide financial statements and the proprietary funds financial statements, to pay its employees for the unused vacation, compensatory time, and miscellaneous leave. The City is not obligated to pay for unused sick leave if employees terminate prior to retirement.

**(q) Self-Insurance**

The City is self-insured for general liability, workers' compensation, dental benefits, unemployment and long-term disability. Various City funds are charged premiums for the City's self-insurance liability, which is accounted for in an internal service fund. The accrued liability for estimated self-insured claims represents an estimate of the eventual loss on claims arising prior to year-end including claims incurred but not reported.

**(r) Net Position**

In the government-wide and proprietary funds financial statements, net position is reported in one of three categories:

**Net Investment in Capital Assets** – This category consists of capital assets net of accumulated depreciation and reduced by deferred outflows of resources and outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

**Restricted Net Position** – Assets restricted by external creditors, grantors, contributors, or laws or regulations of other governments reduced by liabilities related to those assets.

**Unrestricted Net Position** – This category consists of all net position that does not meet the definition of net investment in capital assets or restricted net position.

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

**(s) Fund Balance**

Fund balances presented in the governmental fund financial statements represent the difference between assets, liabilities and deferred inflows of resources. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes the criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. GASB Statement No. 54 requires that the fund balances be classified in categories based upon the type of restrictions imposed on the use of funds. The City evaluated each of its funds at June 30, 2014 and classified fund balances into the following five categories:

**Nonspendable** – Amounts that cannot be spent because they are (1) not in spendable form, such as prepaid items, inventories and long-term receivables for which the payment of proceeds are not restricted or committed with respect to the nature of the specific expenditures of that fund or (2) legally or contractually required to remain intact.

**Restricted** – Amounts that are restricted by external parties such as creditors or imposed by grants, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The City has legislative restrictions on amounts collected and reported in the City's various governmental funds.

**Committed** – Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action by the City's "highest level of decision-making authority", which the City considers to be an ordinance passed by the Lodi City Council.

**Assigned** – Amounts that have been allocated by action of the Lodi City Council in which the City's intent is to use the funds for a specific purpose. Once assigned, funds may only be released by resolution of the City Council.

**Unassigned** – Amounts that constitute the residual balances that have no restrictions placed upon them and are reported in the General Fund. For other governmental funds, as restrictions exceed available resources only deficit amounts are reported in the unassigned category.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

The City does not have a policy on the order of spending unrestricted amounts when an expenditure is incurred for which amounts in any of the unrestricted fund balance classifications could be used. Therefore, by default under GASB Statement No. 54, the City uses committed resources first, then assigned resources and unassigned resources last as they are needed.

It is the City's policy to maintain an unassigned fund balance in the General Fund of at least 16% of revenues and working capital balances in the Water and Wastewater enterprise funds of at least 25% of operating expenses and the target for the Electric Enterprise Fund working



CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

capital is \$28.7 million. The policy allows for variations from year-to-year to account for economic and fiscal changes. The City Council also adopted a policy to establish the following reserves:

**Catastrophic reserve** - To maintain the ability of the City to meet operational costs during times of declared emergency or major catastrophe, the City shall designate General Fund balance of a minimum of 8% of annual General Fund revenues. This reserve may only be drawn upon pursuant to an emergency as declared under the Municipal Code.

**Economic reserve** - To maintain the City's economic viability and to meet seasonal cashflow shortfalls, the City shall designate General Fund economic reserve balance of a minimum of 8% of annual General Fund revenues. Funding the economic reserve will begin in the fiscal year following full funding of the catastrophic reserve. Funding may only be disbursed upon a resolution of the City Council.

Once fully funded, if these reserves fall below 5% of annual revenues, the City Manager shall prepare a plan within three months of approval of the City's Financial Statements. This plan will restore the 5% within 12 months and the 8% within 24 months.

**(t) Statement of Cash Flows**

A statement of cash flows is presented for proprietary fund types. For purposes of reporting cash flows, the City considers all highly liquid investments with maturities of three months or less when purchased and investments maintained in the pool to be cash equivalents.

**(u) Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**(v) Implementation of New Governmental Accounting Standards**

During the fiscal year ended June 30, 2014, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were reported as assets and liabilities. See Note 17 for the impact of implementing this statement.

**(w) Future Implementation of New Governmental Accounting Standards**

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. This statement will require the City to record a net pension liability related to its defined benefit pension plans, as defined by the standard. This statement is effective for the City's fiscal year ending June 30, 2015.

**(2) CASH AND INVESTMENTS**

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Government-wide statement of net position:	
Cash and investments	\$ 64,078,080
Restricted assets	34,412,585
Fiduciary funds cash and investments:	
Private-purpose trust funds	272,711
Agency fund	425,592
Total cash and investments	<u>\$ 99,188,968</u>

Cash and investments as of June 30, 2014 consist of the following:

Cash on hand	\$ 2,861
Deposits with financial institutions	8,361,039
Investments	90,825,068
Total cash and investments	<u>\$ 99,188,968</u>

**(a) Authorized Investments**

The City has adopted an investment policy pursuant to Government Code Section 53601 which authorizes the City to invest in obligations of the U.S. Treasury, U.S Government agency securities and instruments, bankers' acceptances, certificates of deposit, negotiable certificates of deposit, commercial paper, State of California Local Agency Investment Fund (LAIF), Investment Trust of California (CALTRUST), Certificate of Deposit Account Registry Service (CDARS), mutual funds that invest in eligible securities, guaranteed investment contracts and medium term

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

notes as permitted by the Government Code. The City is not authorized to enter into reverse repurchase agreements. The City selects its investments based on safety, liquidity and yield.

The following table identifies the permitted investment types authorized per the City's investment policy. The table also identifies certain provisions that address interest rate risk and concentration of credit risk.

Permitted Investments/Deposits	Maximum Maturity	Maximum % of Portfolio	Maximum Investment in One issuer
U.S. Treasury Obligations	5 years	100%	
U.S. Agency Securities	5 years	100%	
Banker's Acceptances	180 days	40%	25%
Certificates of Deposit	5 years	100%	
Negotiable Certificates of Deposit	5 years	30%	
Commercial Paper	270 days	40%	
California State Local Agency Investment Fund (LAIF)	Indefinite	100%	\$50m per account
Passbook Deposits	Indefinite	100%	
Money Market Mutual Funds	Indefinite	20%	
Guaranteed Investment Contracts (GICs)	5 years	100%	
Medium term Notes	5 years	30%	
Investment Trust of California (CALTRUST)	Indefinite	100%	
Certificate of Deposit Account Registry Service (CDARS)	5 years	30%	

**(b) Investments Authorized by Debt Agreements**

Investments of debt proceeds held by bond trustee are governed by the provisions of the debt agreements as to the extent that they are permissible investments of funds of the City.

**(c) Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

<b>Investment as of June 30, 2014</b>	Maturity Less than One Year	Maturity One to Five Years	Total
LAIF	\$ 32,114,518		\$ 32,114,518
CALTRUST		39,413,267	39,413,267
Money Market Mutual Funds	126,837		126,837
Held by bond trustee:			
Negotiable Certificates of Deposit	2,762,076	3,197,809	5,959,885
LAIF	1,732,912		1,732,912
Money Market Mutual Funds	9,178,458		9,178,458
Guaranteed investment contracts (GICs)		2,169,850	2,169,850
Total investments subject to interest rate risk	\$ 45,914,801	44,780,926	90,695,727
Equities and options			129,341
Total investments			\$ 90,825,068

Investments in equities are shares of stock received by the Library as an endowment from a private citizen.

**(d) Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The money market mutual funds are registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and have a rating by S&P of "AAAm-G," "AAA-m" or "AA-m" and rated by Moody's "Aaa," "Aa1" or "Aa2." The GICs and LAIF do not have a rating provided by a nationally recognized statistical rating organization. The CALTRUST Short term fund is rated "AA/S1+" by S&P while the CALTRUST Medium term fund is rated "A or better." The negotiable certificates of deposit are all rated AAA.

In accordance with the City's investment policy in selecting authorized investments, consideration must be given to credit ratings and collateralization of applicable instruments, however, the City does not have a minimum credit rating limitations policy.

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

**(e) Concentration of Credit Risk**

The investment policy of the City contains certain limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in LAIF, CALTRUST, and money market mutual funds are not subject to the concentration of credit risk disclosure. There are no investments with any one issuer greater than 5% of total investments.

**(f) Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured deposits. \$8,540,331 of the City's deposits with financial institutions, which exceeded federal depository insurance limits, was collateralized in this fashion.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools such as LAIF.

**(g) Investments in Investment Pools**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The total amount invested by all public agencies in LAIF at June 30, 2014 was \$21.1 billion. LAIF is part of the California Pooled Investment Account (PMIA), which at June 30, 2014 had a balance of \$64.8 billion. Of this amount, 1.86% was invested in medium-term and short-term

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

structured notes and asset-backed securities. PMIA is not SEC-registered, but is required to invest according to California State Code. The average maturity of PMIA investments was 232 days as of June 30, 2014.

The Local Investment Advisory Board has oversight responsibility for LAIF. The Board consists of five members as designated by state statute. The value of the pool of shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the City's portion of the pool. Withdrawals from LAIF are done on a dollar for dollar basis.

In accordance with GASB Statement 31, investments are marked to fair values annually and an adjustment is made to each fund accordingly. However, actual daily activity is done on a dollar to dollar basis and only a withdrawal from the pool size that jeopardizes pool participants would cause the withdrawal to be done at market value.

The City is also a participant in the Investment Trust of California Joint Powers Authority Pool (CALTRUST). At June 30, 2014, the City's investment in CALTRUST is \$39.4 million. CALTRUST is an innovative partnership between the CSAC Finance Corporation and the League of California Cities to provide a convenient method for local agencies to pool their assets for investment. The weighted average to maturity of CALTRUST investments was as follows: CALTRUST Short Term, 16 months and CALTRUST Medium, 24 months. The Board of Trustees, which is made up of experienced local treasurers and Investment Officers has oversight responsibility for CALTRUST. The value of the pool shares in CALTRUST, which may be withdrawn, is determined on a fair value basis, which may be different than the amortized cost of the City's portion of the pool. The total amount invested in CALTRUST by California public agencies, as of June 30, 2014 was divided among the following asset classes: CALTRUST Medium Term was \$643 million and CALTRUST Short term was \$764 million.

**(3) ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS**

Receivables of the General Fund, Electric, Wastewater and Water funds are reported net of uncollectible amounts. Total allowance provided for uncollectible amounts related to receivables of the current period are as follows:

Uncollectibles related to late charges and services	\$	22,500
Uncollectibles related to electric sales and services		193,100
Uncollectibles related to wastewater services		47,500
Uncollectibles related to water sales and services		<u>128,110</u>
Total uncollectibles of the current fiscal year	\$	<u><u>391,210</u></u>

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

**(4) INTERFUND RECEIVABLES/PAYABLES**

Interfund receivables and payables at June 30, 2014 are as follows:

<b>Due from</b>	<b>Due to</b>	<b>Amount</b>
Other governmental	Other governmental	\$ <u>111,112</u>

“Due to” and “due from” balances are recorded primarily when funds overdraw their share of pooled cash or when there are short-term loans between funds. The \$111,112 represents cash deficits in other governmental funds.

<b>Advances from</b>	<b>Advances to</b>	<b>Amount</b>
Wastewater	Other governmental	\$ 505,000
Water	Other governmental	<u>1,174,025</u>
		\$ <u>1,679,025</u>

The \$505,000 advance from the Wastewater Fund was used for the Impact Mitigation Fees update, \$55,000; and \$450,000 was used for the Grape Bowl Improvements - Phase 3. The \$1,174,025 advance from the Water Fund was used for the construction of Fire Station #4.

**(5) TRANSFERS**

Transfers for the year ended June 30, 2014, are summarized as follows:

<b><u>Transfers in</u></b>			
		Other	
<b><u>Transfers out:</u></b>	<b>General</b>	<b>Governmental</b>	<b>Total</b>
General	\$	6,269,351	\$ 6,269,351
Other governmental		534,330	534,330
Electric	2,104,000	340,000	2,444,000
Wastewater	1,068,000	250,000	1,318,000
Water	780,000	250,000	1,030,000
Total	\$ <u>3,952,000</u>	<u>7,643,681</u>	\$ <u>11,595,681</u>

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

During the year, various interfund transfers were made to finance expenditures, subsidize operating losses and service debt.

Transfers out of \$2,104,000 from the Electric Fund, \$1,068,000 from the Wastewater Fund, and \$780,000 from the Water Fund represent the cost of services reimbursement to the General Fund.

The transfer of \$6,269,351 from the General Fund to other governmental represents transfer of \$516,001 to the Debt Service Fund for the interest required to pay the 2012 Refunding Lease Revenue Bonds; \$3,591,100 to Parks, Recreation and Community Services for operating costs; \$100,000 to Community Development for operating costs; \$219,670 to the Vehicle and Equipment Fund for vehicle replacements and computer replacements; and \$1,261,200 to the Capital Outlay Reserve Fund for various capital projects; and \$581,380 to the Streets Fund for various streets projects.

The transfer out of \$534,330 from other governmental to other governmental includes \$335,410 transferred from Parks, Recreation and Community Services to the Debt Service Fund for the interest required to pay the 2012 Refunding Lease Revenue Bonds, transfer of \$110,720 from Parks, Recreation and Community Services to Parks Capital Fund for park-related capital projects, and transfer of \$2,510 from the Community Development and \$85,690 from the Parks, Recreation and Community Services to the Vehicle and Equipment Fund for fleet replacement.

The transfer out from the Electric Fund of \$340,000, transfer out from Wastewater Fund for \$250,000, and Water Fund for \$250,000 to other governmental represent transfers to the Capital Outlay Reserve Fund for various capital projects.



CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

**(6) CAPITAL ASSETS**

Capital assets activity of the primary government for the year-ended June 30, 2014, was as follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>
<b><u>Governmental activities</u></b>				
Capital assets, not being depreciated:				
Land	\$ 24,094,424	838,710		\$ 24,933,134
Work of Art	304,907			304,907
Construction in progress	<u>6,074,289</u>	<u>6,822,758</u>	<u>(8,490,005)</u>	<u>4,407,042</u>
Total capital assets, not being depreciated	<u>30,473,620</u>	<u>7,661,468</u>	<u>(8,490,005)</u>	<u>29,645,083</u>
Capital assets, being depreciated:				
Buildings and improvements	65,595,657	2,943,232		68,538,889
Machinery and equipment	11,173,251	161,787		11,335,038
Vehicles	9,882,437	907,611	(443,654)	10,346,394
Infrastructure	<u>135,655,322</u>	<u>4,509,350</u>		<u>140,164,672</u>
Total capital assets, being depreciated	<u>222,306,667</u>	<u>8,521,980</u>	<u>(443,654)</u>	<u>230,384,993</u>
Less accumulated depreciation for:				
Buildings and improvements	28,332,137	1,918,711		30,250,848
Machinery and equipment	10,109,105	499,520		10,608,625
Vehicles	9,065,965	405,843	(443,654)	9,028,154
Infrastructure	<u>78,631,883</u>	<u>6,262,114</u>		<u>84,893,997</u>
Total accumulated depreciation	<u>126,139,090</u>	<u>9,086,188</u>	<u>(443,654)</u>	<u>134,781,624</u>
Total capital assets, being depreciated, net	<u>96,167,577</u>	<u>(564,208)</u>		<u>95,603,369</u>
Governmental activities capital assets, net	<u>\$ 126,641,197</u>	<u>7,097,260</u>	<u>8,490,005</u>	<u>\$ 125,248,452</u>

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

	<b>Balance</b>			<b>Balance</b>
<b><u>Business-type activities</u></b>	<b><u>June 30, 2013</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>June 30, 2014</u></b>
Capital assets, not being depreciated:				
Land	\$ 5,535,718			\$ 5,535,718
Construction in progress	3,901,025	7,981,353	(7,852,523)	4,029,855
Total capital assets, not being depreciated	<u>9,436,743</u>	<u>7,981,353</u>	<u>(7,852,523)</u>	<u>9,565,573</u>
Capital assets, being depreciated:				
Buildings and improvements	46,318,297	1,077,090		47,395,387
Machinery and equipment	257,958,161	8,686,596	(1,215,193)	265,429,564
Vehicles	9,464,682	323,954	(14,912)	9,773,724
Total capital assets, being depreciated	<u>313,741,140</u>	<u>10,087,640</u>	<u>(1,230,105)</u>	<u>322,598,675</u>
Less accumulated depreciation for:				
Buildings and improvements	14,949,523	1,315,018		16,264,541
Machinery and equipment	66,591,023	7,670,842	(30,380)	74,231,485
Vehicles	6,431,403	642,780	(14,912)	7,059,271
Total accumulated depreciation	<u>87,971,949</u>	<u>9,628,640</u>	<u>(45,292)</u>	<u>97,555,297</u>
Total capital assets, being depreciated, net	225,769,191	459,000	(1,184,813)	225,043,378
Business-type activities capital assets, net	<u>\$ 235,205,934</u>	<u>8,440,353</u>	<u>(9,037,336)</u>	<u>\$ 234,608,951</u>

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental activities:

General government	\$ 700,346
Public protection	1,073,405
Public works	6,330,287
Community development	2,067
Library	52,667
Parks and recreation	925,968
Internal service funds	<u>1,448</u>
Total depreciation expense - governmental activities	<u>\$ 9,086,188</u>

Business-type activities:

Electric	\$ 1,780,427
Wastewater	4,079,800
Water	2,816,296
Transit	<u>952,117</u>
Total depreciation expense - business-type activities	<u>\$ 9,628,640</u>

**(7) OPERATING LEASES**

The City is obligated under an operating lease for the use of facilities. Total costs for such lease was \$21,000 for the year ended June 30, 2014.

Future minimum lease payments required by this lease agreement that has a remaining noncancellable lease term of one year or more as of June 30, 2014, are as follows:

<u><b>Fiscal Years Ending</b></u>	
2015	\$ 21,000
Total minimum lease payments required	
under operating leases	<u>\$ 21,000</u>

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

**(8) LONG-TERM OBLIGATIONS**

The following is a summary of debt transactions of the City for the year ended June 30, 2014:

	<u>Interest Rates</u>	<u>June 30, 2013*</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2014</u>	<u>Amounts Due Within One Year</u>
<b>Governmental activities:</b>						
Compensated absences		\$ 6,690,340	1,694,995	(1,994,285)	\$ 6,391,050	\$ 1,694,995
2012 Lease Revenue Bonds	2.0-5.0%	19,080,000			19,080,000	
Issuance premium		977,910		(53,830)	924,080	53,830
Total		20,057,910		(53,830)	20,004,080	53,830
Note payable	6.0%	245,000			245,000	
Self-insurance liability		9,117,062	1,050,613	(1,145,916)	9,021,759	1,050,613
Net OPEB obligation		4,249,526	1,223,236	(705,488)	4,767,274	
Governmental activity long-term liabilities		\$ 40,359,838	3,968,844	(3,899,519)	\$ 40,429,163	\$ 2,799,438

\*Net OPEB obligation changed by \$999,000.

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

						Amounts Due Within One Year
	Interest Rates	June 30, 2013	Additions	Reductions	June 30, 2014	
<b>Business-type activities:</b>						
Compensated absences		\$ 1,888,727	520,084	(564,197)	1,844,614	\$ 520,084
Pollution remediation obligation		19,855,000		(742,038)	19,112,962	
Certificates of Participation and Revenue Bonds:						
2010 Water Revenue Bonds A & B	2.50-6.637%	37,090,000		(825,000)	36,265,000	850,000
Issuance premium		531,906		(19,701)	512,205	19,700
Total		37,621,906		(844,701)	36,777,205	869,700
2008 Certificates of Participation A	3.8-5.05%	60,685,000			60,685,000	
Issuance premium		473,265		(24,909)	448,356	24,909
Total		61,158,265		(24,909)	61,133,356	24,909
2002 Certificates of Participation D	1.54-5.25%	14,905,000		(4,750,000)	10,155,000	4,960,000
2003 Water and Wastewater Revenue Bonds B	2.0-5.0%	3,190,000		(3,190,000)		
Issuance premium		42,045		(42,045)		
Total		3,232,045		(3,232,045)		
2004 Certificates of Participation A	2.0-5.5%	2,070,000			2,070,000	

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

		<u>Interest Rates</u>	<u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2014</u>	<u>Amounts Due Within One Year</u>
2007 Certificates of Participation A	4.0-5.0%		29,745,000		(140,000)	29,605,000	145,000
Issuance premium			<u>200,837</u>		<u>(8,255)</u>	<u>192,582</u>	<u>8,253</u>
Total			<u>29,945,837</u>		<u>(148,255)</u>	<u>29,797,582</u>	<u>153,253</u>
2012 Wastewater Revenue Bonds	2.0-5.0%		17,105,000		(1,280,000)	15,825,000	1,355,000
Issuance premium			<u>1,704,713</u>		<u>(166,314)</u>	<u>1,538,399</u>	<u>166,313</u>
Total			<u>18,809,713</u>		<u>(1,446,314)</u>	<u>17,363,399</u>	<u>1,521,313</u>
Total Certificates of Participation and Revenue Bonds			<u>167,742,766</u>		<u>(10,446,224)</u>	<u>157,296,542</u>	<u>7,529,175</u>
Business-type activity long-term liabilities			<u>\$ 189,486,493</u>	<u>520,084</u>	<u>(11,752,459)</u>	<u>\$ 178,254,118</u>	<u>\$ 8,049,259</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, internal service funds self-insurance liability for \$9,021,759 and \$4,767,274 for net OPEB obligation were included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund and the internal service funds.

Long-term debt payable at June 30, 2014, comprised of the following individual issues:

**Note Payable**

The City issued a \$245,000 promissory note to James E. Dean and Carol Dean, as trustees of the James E. Dean Family Trust, for the purchase of 307 W. Elm Street property, which is the site of the Public Safety Building. Interest is payable quarterly and principal is due on April 1, 2017.

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

Annual debt service requirements to maturity of the note payable are as follows:

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2015	\$	\$ 14,700
2016		14,700
2017	<u>245,000</u>	<u>11,025</u>
Total	\$ <u>245,000</u>	\$ <u>40,425</u>

**Certificates of Participation and Revenue Bonds**

**\$5,000,000** California Statewide Communities Development Authority Water and Wastewater Revenue Bonds (2003 Bonds) were issued on October 7, 2003. The City of Lodi along with the City of Fort Bragg issued \$9.855 million 2003 Series B revenue bonds through the California Statewide Communities Development Authority (the "Authority") pooled financing program. The City of Lodi's portion is \$5.0 million for the upgrade of its wastewater facilities. Principal is payable annually on October 1 in amounts from \$185,000 to \$365,000 with final payment due October 1, 2023.

The City has pledged future wastewater revenues, net of specified operating expenses, to repay \$5.0 million in wastewater revenue bonds. The bonds are payable solely from wastewater customer net revenues. These bonds were redeemed during the fiscal year. Principal and interest paid for the current year and total net revenues were \$3,280,111 and \$9,182,756, respectively.

The Authority's Water and Wastewater Pooled Financing Program is available to California water and wastewater agencies to facilitate the financing or refinancing of capital improvements. The program is available to California cities and special districts that operate water or wastewater enterprises. The Authority is authorized pursuant to Chapter 5 of Division 7 of Title 1 of the California Government Code to issue bonds to finance and refinance water and wastewater public capital improvements of local agencies located throughout California.

**\$27,360,000** Certificates of Participation (2004A COP) were issued on May 12, 2004 to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system of the City. Principal is payable annually on October 1 in amounts from \$170,000 to \$2,070,000 with final payment due October 1, 2024. The City has pledged future wastewater revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the certificates is \$3,053,250. Interest paid for the current year and total net revenues were \$98,321 and \$9,182,756, respectively.

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

**\$30,320,000** Certificates of Participation (2007A COP) were issued on November 16, 2007 to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system of the City and to provide resources for the repayment of the 1991 Certificates of Participation (Wastewater Treatment Plant Expansion Refunding Project). Principal is payable annually on October 1 in amounts ranging from \$105,000 to \$2,980,000 with final payment due October 1, 2037. The City has pledged future wastewater revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the certificates is \$54,032,438. Principal and interest paid for the current year and total net revenues were \$1,603,550 and \$9,182,756, respectively.

**\$22,740,000** Revenue Certificates of Participation Series D (2002 COP) were issued to buy out the energy purchase agreement with Calpine.

In February 2001, the City entered into an energy purchase agreement (the Original Agreement) with Calpine Energy Services L.P. (Calpine) to purchase 25 MW of energy at \$65/mwh for a ten-year period beginning January 1, 2002. Since the execution of the Original Agreement, actions of the State in connection with the energy market conditions, including the initiation of conservation programs, and other factors, have resulted in lower electric load requirements and reduced energy costs throughout the State. As a result, the City's need for the energy purchased under the Original Agreement to serve its load has been reduced. The Original Agreement was amended on September 4, 2002, and was divided into three parts. The City sold its interests in the energy purchased under the Original Agreement to Calpine and nets the payments due from the City with respect to its purchase of such energy against the payments due from Calpine with respect to its purchase of the City's rights to such energy. Principal is payable annually on July 1 in amounts ranging from \$110,000 to \$5,195,000 with final payment due July 1, 2015.

The City has pledged future electric revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the certificates is \$10,691,827. Principal and interest paid for the current year and total net revenues were \$5,398,115 and \$16,795,468, respectively.

The City issued **\$60,685,000** Certificates of Participation (2008A COP) on July 24, 2008 to allow the City to prepay and cause the immediate defeasance of the outstanding \$46,760,000 Certificates of Participation (Electric System Revenue Certificates of Participation 2002 Series A Variable Rate Certificates) and to pay \$8,979,000 for the termination of a swap agreement related to the refunded 2002 certificates. Principal is payable annually on July 1 in amounts ranging from \$2,390,000 to \$5,090,000 beginning in 2016 with final payment due in 2032. The City has pledged future electric revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the certificates is \$93,858,175. Interest paid for the current year and total net revenues were \$2,957,774 and \$16,795,468, respectively.

On October 1, 2010, the City issued **\$9,015,000** Water Revenue Bonds, 2010 Series A and **\$29,650,000** Water Revenue Bonds, 2010 Series B (Federally taxable - Build America Bonds) (2010 Bonds) to finance the construction of the Surface Water Treatment Facility which is designed to pump water from the Mokelumne River, treat and deliver it to the City's water distribution system. Principal is payable annually on June 1 in amounts ranging from \$775,000 to \$2,210,000 with final payment due June 1, 2040. The City has pledged future water revenues, net of



CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

operation and maintenance costs, to repay these certificates. The total principal and interest remaining to be paid on the certificates is \$72,237,052. Principal and interest paid for the current year and total net revenues were \$2,355,230 and \$7,330,795, respectively.

The City issued **\$19,080,000** Refunding Lease Revenue Bonds (2012 LRB) on September 1, 2012 to allow the City to prepay and cause the immediate defeasance of the outstanding \$21,025,000 Certificates of Participation (2002 COP). The 2002 COP were issued in January 2002 to provide funds to finance the costs of constructing, furnishing and equipping a new police building and jail for the City, to finance portions of certain other projects and to refund the outstanding 1995 and 1996 Certificates of Participation. As of June 30, 2014, there are no outstanding balances of these refunded Certificates. The 1995 Certificates of Participation (1995 COP) were sold in October 1995 to finance the City Downtown Revitalization and the Cherokee Lane Beautification projects. The 1996 Certificates of Participation (1996 COP) were sold in August 1996 to finance the construction of the Hutchins Square Conference and Performing Arts Center. The total principal and interest remaining to be paid on the 2012 LRB is \$28,300,769. Principal is payable annually on October 1 in amounts ranging from \$260,000 to \$1,605,000 beginning in 2016 with final payment due in 2031. Interest paid for the current year was \$844,813.

The City issued **\$17,105,000** 2012 Refunding Wastewater Revenue Bonds (2012 Bonds) to advance refund the \$17,115,000 principal amount of the 2004 Wastewater Revenue Certificates of Participation. The City pledged future wastewater revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the 2012 Bonds is \$19,484,300. Principal is payable annually on October 1 in amounts ranging from \$1,280,000 to \$1,885,000 beginning in 2013 with final payment due in 2023. Principal and interest paid for the current year and total net revenues were \$1,921,700 and \$9,182,756 respectively. At June 30, 2014, the remaining balance of the refunded debt is \$15,910,000.

The various indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of moneys through various restricted accounts and minimum revenue bond coverage. The City is in compliance with all such significant limitations and restrictions.

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

Annual debt service requirements to maturity for certificates of participation and bonds are as follows:

Fiscal Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$	\$ 844,813	\$ 7,310,000	\$ 7,649,614
2016	260,000	840,913	9,990,000	7,324,025
2017	830,000	824,563	5,000,000	6,969,356
2018	860,000	794,912	5,210,000	6,767,006
2019	900,000	755,212	5,440,000	6,540,606
2020-2024	5,100,000	3,154,685	30,945,000	28,876,381
2025-2029	6,505,000	1,714,342	38,065,000	20,282,021
2030-2034	4,625,000	291,329	31,565,000	10,525,979
2035-2039			18,870,000	3,670,376
2040			2,210,000	146,678
Total	\$ 19,080,000	\$ 9,220,769	\$ 154,605,000	\$ 98,752,042

#### Industrial Development Bonds

The City of Lodi has lent its name to the City of Lodi Industrial Development Authority for the purpose of issuing the following industrial development bonds: Minton Corporation \$5,000,000; Dart Corporation \$8,000,000; Wallace Computer Services \$3,000,000; and Luster-Cal Nameplate Corporation \$3,000,000. These bonds are special obligation bonds only, payable solely out of the bond revenues or other sources of the above companies and are not a pledge of the general credit of the City. The City is not obligated for the redemption or administration of these industrial development bonds.

#### Woodbridge Irrigation District Bonds

On October 8, 2003, the City lent its name to the Woodbridge Irrigation District (the "District") in the procurement of \$11.745 million 2003 Revenue Certificates of Participation, to provide funds to finance the costs of construction of a new diversion dam on the Mokelumne River and related facilities of the water district. A significant portion of the District's sources of payment for the 2003 Certificates are expected to be derived from amounts to be received by the District from the City of Lodi pursuant to an Agreement for the purchase of water from the District by the City of Lodi, dated May 13, 2003 (the "Lodi Water Sales Agreement"). Under the agreement, the City will purchase 6,000 acre feet of water per annum from the District for 40 years.

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

**(9) DEFINED BENEFIT PENSION PLAN**

**(a) Plan Description**

The City of Lodi contributes to the California Public Employees' Retirement System (CalPERS); an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of the CalPERS' annual financial report may be obtained from their Executive Office- 400 Q Street, Sacramento, CA 95811.

**(b) Funding Policy**

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. New participants covered under the Public Employees' Pension Reform Act of 2013 (PEPRA) are required to contribute 6.75% for miscellaneous employees and 11.25% for safety employees. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 16.203% for miscellaneous employees and 35.657% for fire and police employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

**(c) Annual Pension Cost**

For the year ended June 30, 2014, the City's annual pension cost of \$3,996,087 for the Safety Plan and \$2,639,709 for the Miscellaneous Plan were equal to the City's required contributions. The required contribution was determined as part of the June 30, 2011 actuarial valuations using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% discount rate (net of administrative expenses), a decrease from the 2010 valuation of 7.75%, (b) projected annual salary increases that vary by age, length of service, and type of employment (c) 3.00% payroll growth, a decrease from the 2010 valuation of 3.25%, and (d) 2.75% inflation, a decrease from the 2010 valuation of 3.00%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period (smoothed market value). CalPERS unfunded actuarial liability is being amortized as a level percentage of projected payroll on a closed basis. Amortization of the remaining period for the Safety Plan was 30 years and for the Miscellaneous Plan was 24 years as of June 30, 2013.

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

**(d) Trend Information**

Three-Year Trend information (\$ Amounts in Thousands):

SAFETY PLAN			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/12	\$ 3,239	100%	\$0
6/30/13	3,501	100%	\$0
6/30/14	3,996	100%	\$0

MISCELLANEOUS PLAN			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/12	\$ 2,110	100%	\$0
6/30/13	2,254	100%	\$0
6/30/14	2,640	100%	\$0

**(e) Funded Status and Funding Progress**

As of June 30, 2013, the most recent actuarial valuations to date, the Safety Plan was 63.4% funded and the Miscellaneous Plan was 73.5% funded. The actuarial accrued liability for benefits was \$147 million for the Safety Plan and \$152 million for the Miscellaneous Plan, and the actuarial value of assets was \$93 million for the Safety Plan and \$112 million for the Miscellaneous Plan; resulting in an unfunded actuarial accrued liability (UAAL) of \$54 million for the Safety Plan and \$40 million for the Miscellaneous Plan. The covered payroll (annual payroll of active employees covered by the plans) was \$11 million for the Safety Plan and \$16 million for the Miscellaneous Plan, and the ratio of the UAAL to the covered payroll was 492.6% and 249.4% for the Safety and Miscellaneous plans, respectively. The actuarial assumptions used for the June 30, 2013 valuations are the same as previously disclosed for the June 30, 2011 valuations.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

**(10) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**(a) Plan Description**

The City sponsors a single-employer defined-benefit postemployment healthcare plan (Retiree Health Plan) to provide medical insurance benefits to eligible retired employees and their spouses. The Plan does not issue a publicly available financial report. Medical coverage is provided through CalPERS healthcare program. Employees who retire from the City and receive a CalPERS pension are eligible for postemployment medical benefits. The City contributes the minimum amount provided under Government Code Section 22825 of the Public Employees Medical and Hospital Care Act. In general, retirees must contribute any premium amounts in excess of the City contribution. However, as described below, a closed group of active employees and retirees receive additional postemployment benefits.

Employees hired prior to the dates shown in the following table are allowed to convert their accumulated sick leave into postemployment medical benefits at retirement as long as they have ten or more years of service with the City.

<b>Group</b>	<b>Hired prior to:</b>
Executive Management	July 1, 1994
Mid-Management	July 1, 1994
Fire Mid-Management	December 6, 1995
Police Mid-Management	July 1, 1994
General Services	July 1, 1995
IBEW	July 1, 1995
Maintenance and Operators	July 1, 1995
Dispatchers	July 9, 1994
Police	October 10, 1994
Fire	December 6, 1995

The most widely elected options are the "Bank" option and the "Conversion" option. Under the "Bank" option, accumulated sick leave amounts are translated by specified formulas into a bank amount that is then used to pay postemployment healthcare premiums until the "Bank" is exhausted. Under the "Conversion" option, the accumulated sick leave hours are converted by specified formulas into a period of time during which the retiree will receive postemployment benefits. The number of hours is multiplied by 50% and converted to days. The City pays one month's premium for employee and dependents for each day after conversion. For each year of employment in excess of ten years, 2.5% is added to the 50% before conversion. The amount of premium paid will be the same as the premium paid by the City at the time of retirement. In the event that the premium increases, the retiree pays the difference.

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

The City also allows a surviving dependent of a retiree to enroll in the Sick Leave Conversion program to purchase medical insurance at the employee only premium for the same period as if the retiree was still alive. Retirees are allowed to enroll in any of the available CalPERS medical plans. The CalPERS minimum amount will continue for the life of the retiree and surviving spouse. The "Conversion" benefit will continue until the end of a period that is based on accumulated sick leave at retirement.

**(b) Funding Policy**

Contribution requirements of the postemployment benefit are based on pay-as-you-go financing. For fiscal year 2013-14, the City contributed \$705,488, or 57.67%, of the actuarially required contributions.

**(c) Annual OPEB Cost and Net OPEB Obligation**

The City's annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 1,251,287
Interest on net OPEB obligation	169,981
Adjustment to annual required contribution	<u>(198,032)</u>
Annual OPEB cost (expense)	1,223,236
Contribution made	<u>(705,488)</u>
Increase in net OPEB obligation	517,748
Net OPEB obligation - beginning of year, restated	<u>4,249,526</u>
Net OPEB obligation - end of year	<u>\$ 4,767,274</u>

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation, are as follows:

Fiscal year ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
06/30/2012	\$	1,221,126	50.31%	\$	3,621,593
06/30/2013		1,283,605	51.08%		4,249,526
06/30/2014		1,223,236	57.67%		4,767,274

**(d) Funding Status and Funding Progress**

As of January 1, 2014, the most recent actuarial valuation date, the funded status of the Retiree Health Plan was as follows:

Actuarial accrued liability (AAL)	\$	16,879,493
Actuarial value of plan assets		0
Unfunded actuarial accrued liability (UAAL)	\$	<u>16,879,493</u>
Funded ratio (actuarial value of plan assets/AAL)		0%
Annual covered payroll (active plan members)	\$	5,697,043
UAAL as percentage of annual covered payroll		296%

The schedule of funding progress, presented as RSI following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**(e) Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and the plan members to that point. The actuarial methods and the assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4% discount rate to calculate the present value of future benefit payments; a 2.75% inflation rate; an annual healthcare cost trend rate of 7.5% for calendar year 2014, increasing to 8.5% for calendar year 2015, then gradually decreasing to 4.5% for calendar year 2021 and beyond; the CalPERS minimum benefit will increase 4% per year; a 3.00% annual rate of increase in payroll; assumed that 100% of future eligible retirees will elect to maintain their enrollment in a CalPERS medical plan and qualify for the City's minimum contribution; 75% of future retirees will enroll a spouse; and also assumed that 100% of General Services, Maintenance and Operators and Dispatchers will elect the conversion option and 50% of Executive Management, Mid Management and Police will elect the option. The conversion option is not available to IBEW and Fire retirees. The unfunded actuarial accrued liability is amortized as a level percentage of expected payroll over a closed thirty year period. As of June 30, 2014, the remaining amortization period is 25 years.

**(11) CLAIMS AND BENEFITS**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured as discussed in the following paragraphs for which liabilities are recorded in the Internal Service Fund-Insurance Fund.

The City is self-insured for general liability up to the first \$500,000 per occurrence with claims from \$500,000 to \$40,000,000 per occurrence and in the aggregate insured through the California Joint Powers Risk Management Authority. The City has not had any settlements that exceeded its general liability insurance coverage (See Note 13).

The City is self-insured for workers' compensation up to the first \$250,000 per claim. Any claims of \$250,000 up to California statutory limits are covered under a purchased policy through the membership with the Local Agency Workers' Compensation Excess Joint Powers Authority with coverage up to \$300,000,000 in the current year. The City has not had any settlements that exceeded its workers' compensation insurance coverage (See Note 13).

The City is fully self-insured for dental and unemployment for its employees.



CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

General liability and workers' compensation claims are administered by an outside agency and all other claims are administered by the City. The City has accrued a liability of \$9,021,759 at June 30, 2014, for all self-insured claims in the Internal Service Fund-Insurance Funds that includes an amount for incurred but not reported claims. The liability amount is based on the requirements of GASB Statement No. 62, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. In the opinion of the City, the amounts accrued are adequate to cover claims incurred but not reported in addition to known claims.

Changes in the self-insurance liability for the years ended June 30, 2014 and 2013 are as follows:

	<u>Beginning</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending</u>
FY 12-13	\$ 8,471,831	\$ 1,911,196	\$ (1,265,965)	\$ 9,117,062
FY 13-14	9,117,062	1,050,613	(1,145,916)	9,021,759

**(12) PARTICIPATION IN JOINT VENTURES**

**Northern California Power Agency**

The City, along with thirteen other public agencies, is a member of the Northern California Power Agency (NCPA) that was formed in 1968 as a joint powers agency. Its membership consists of eleven cities with publicly owned electric utility distribution systems, one irrigation district, one public utility district, one port authority and three other associate member entities. NCPA is generally empowered to purchase, generate, transmit, distribute and sell electrical energy. Members participate in the projects of NCPA on an elective basis. A commission comprising of one representative from each member organization governs NCPA. The commission is responsible for the general management of the affairs, property and business of NCPA. Under the direction of the general manager, the staff of NCPA is responsible for providing various administrative, operating and planning services for NCPA and its associated power corporations.

**Project Financing and Construction**

NCPA's project construction and development programs have been individually financed by project revenue bonds collateralized by NCPA's assignment of all payments, revenues and proceeds associated with its interest in each project. Each Project Participant has agreed to pay its proportionate share of debt service and other costs of the related project, notwithstanding the suspension, interruption, interference, reduction or curtailment of output from the project for any reason. Certain of the revenue bonds are additionally supported by municipal bond insurance credit enhancements.

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

Increase in Non-defaulting Project Participant's Original Project Entitlement Percentage

Upon the failure of any Project Participant to make any payment, which failure constitutes a default under the Member Agreement for the projects, and except as sales and transfers are made pursuant thereto, the Member Agreements provide that Project Entitlement for each non-defaulting Project Participant shall be automatically increased for the remaining term of the Member Agreement; pro rata with those of the non-defaulting Project Participant thereunder; provided, however, that the sum of such increase for any non-defaulting Project Participant shall not exceed, without written consent of such non-defaulting Project Participant, an accumulated maximum of 25% of the non-defaulting Project Participant's original Project Entitlement Percentage Share.

General Operating Reserve with NCPA

Members of NCPA established a general operating reserve in 1992 for the purposes of providing a vehicle to fund reasonably foreseeable contingent liabilities. It was set up primarily to provide the following advantages: minimizes the number and dollar amount of reserve that might otherwise be funded separately in connection with NCPA's individually financed operating plants, projects and programs; provides each member with flexibility and unilateral control over the determination of what they will fund, how they will fund it and what expenditures from the reserve will be made on their individual behalf. It provides funding for contingent liabilities that are not budgeted but that may require significant future expenditures. The reserve is segregated by participant and is refundable on demand by the participant.

As of June 30, 2014, the City's balance in the NCPA General Operating Reserve, which has been credited with annual interest earnings and settlements, is \$6,212,109.

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

Project Participation

The NCPA members and their percentage share at June 30, 2014, which is the most recent available data, are as follows:

<b>NCPA MEMBERS</b>	<b>Geothermal Project</b>	<b>Hydro Electric Project</b>	<b>Combustion Turbine Project #1</b>	<b>Multiple Capital Facilities</b>	<b>Transmission Project</b>	<b>Lodi Energy Center</b>
Alameda	16.8825%	10.00%	21.820%	19.00%	30.7802%	
BART						6.6000%
Biggs	0.2270		0.197		0.3446	0.2679
Gridley	0.3360		0.350		0.6248	1.9643
Healdsburg	3.6740	1.66	5.833		6.6947	1.6428
Lodi	10.2800	10.37	13.393	39.50	20.6077	9.5000
Lompoc	3.6810	2.30	5.833	5.00	6.7101	2.0357
Palo Alto		22.92				
Plumas-Sierra Rural Electric Coop	0.7010	1.69	1.817		1.3112	0.7857
Roseville	7.8830	12.00		36.50	13.0846	
Santa Clara	44.3905	37.02	41.667			25.7500
Ukiah	5.6145	2.04	9.090		10.2315	1.7857
<b>OTHER PARTICIPANTS</b>						
Azusa						2.7857
California Dept. of Water Resources						33.5000
Modesto Irrigation District						10.7143
Power & Water Resources Pooling Agency						2.6679
Turlock Irrigation District	6.3305				9.6106	

Bulk power purchased by the City through NCPA amounted to \$37,303,007 during the year ended June 30, 2014 and is reflected in utilities expense in the Electric Enterprise Fund.

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

NCPA Geothermal Project

A purchase power agreement with NCPA obligates the City for a 10.28% share of the operating costs and debt service of two of NCPA's 110-megawatt (MW) steam powered plants, Project Number 2 and Project Number 3. Outstanding long-term debt related to this project was approximately \$44 million at June 30, 2013.

In addition to federal geothermal leasehold, steam wells, gathering system and related facilities, the project consists of two electric generating stations (Plant 1 and Plant 2). Each plant has two 55MW turbine generator units utilizing low temperature geothermal steam; associated electrical, mechanical and control facilities; a heat dissipation system; a steam gathering system; a transmission tapline; and, other related facilities. Geothermal steam for the project is derived from the geothermal property, which includes wellpads, access roads, steam wells and reinjection wells.

Calaveras Hydroelectric Project

NCPA contracted to finance, manage, construct and operate Hydroelectric Project Number One for the licensed owner, Calaveras County Water District. In exchange, NCPA has the right to the electric output of the project for 50 years from February 1982. NCPA has also the option to purchase power from the project in excess of the District's requirements for the subsequent 50 years, subject to regulatory approval.

Under a power purchase agreement the City is obligated to pay 10.37% of the debt service and operating costs. At June 30, 2013, approximately \$421 million in long-term debt used to finance this project was outstanding.

NCPA Combustion Turbine Project #1

The project consists of five combustion turbine units; each nominally rated at 25 MW. Two such units are located in Roseville, two in Alameda and one in Lodi. The project provides capacity during peak load periods and emergency capacity reserves. Excess capacity and energy from the project are also sold to other entities from time to time. Under the NCPA power agreement, the City is obligated to pay 13.393% of the debt service and operating costs. At June 30, 2013, there was no outstanding long-term debt related to this project.

Capital Facilities Project

The Project consists of one 49.9 MW natural gas-fired steam injected combustion turbine generator unit located in Lodi, California. Wastewater is reclaimed from the City of Lodi's White Slough water pollution control facility, processed to eliminate contaminants, and used in the turbine to produce steam for power enhancement and emissions control.

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

Under a power purchase agreement, the City is obligated to pay 39.5% of the debt service and operating costs. At June 30, 2013, approximately \$51 million in long-term debt was outstanding.

Transmission Project

The project was undertaken to meet certain obligations of NCPA under the NCPA/PG & E Interconnection Agreement. The project includes an ownership interest in PG & E's 230kv Castle Rock to Lakeville Substation Transmission Line in Sonoma County, additional firm transmission rights in that Transmission Line, and a central scheduling and dispatch facility in service at the NCPA headquarters in Roseville, California. Under a power purchase agreement, the City is obligated to pay 20.6077% of the debt service and operating costs. At June 30, 2013, there was no outstanding long-term debt related to this project.

Lodi Energy Center

The Lodi Energy Center project is a 280 MW base load, combined cycle, natural gas-fired, combustion turbine generating station (one gas turbine and one steam turbine) built in Lodi on city property.

Under a power purchase agreement, the City is obligated to pay 17.03% of the debt service and 9.5% of operating costs. At June 30, 2013, approximately \$387 million in long-term debt was outstanding.

The following are the most recent available audited condensed financial statements of NCPA:

<b>Combined Statement of Net Position</b>			
<b>June 30, 2013</b>			
<b>(in thousands)</b>			
<b>Assets</b>		<b>Liabilities and Net Position</b>	
Current assets	\$ 78,502	Current portion of long-term debt	\$ 34,365
Restricted assets	213,807	Other current liabilities	57,753
Electric plant, net	676,070	Other liabilities and deferred credits	235,275
Other assets and deferred charges	210,904	Long-term debt, net	816,485
		Net position	35,405
Total assets	\$ 1,179,283	Total liabilities and net position	\$ 1,179,283

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

**Combined Statement of Revenues, Expenses  
and Changes in Net Position  
Year ended June 30, 2013  
(in thousands)**

Sales for resale	\$ 340,968
Operating expenses	(286,262)
Other expenses	(25,226)
Future recoverable costs	<u>(11,272)</u>
Net revenues before refunds	18,208
Refunds to participants	<u>(11,200)</u>
Increase in net position	7,008
Net position, beginning of year	<u>28,397</u>
Net position, end of year	<u>\$ 35,405</u>

**Combined Statement of Cash Flow  
Year ended June 30, 2013  
(in thousands)**

Net cash from operating activities	\$ 92,010
Net from investing activities	(18,181)
Net cash from capital and related financing activities	(75,392)
Net cash from noncapital and related financing activities	<u>(5,300)</u>
Increase in cash and cash equivalents	(6,863)
Cash and cash equivalents, beginning of year	<u>125,485</u>
Cash and cash equivalents end of year	<u>\$ 118,622</u>

At June 30, 2013, NCPA's total net outstanding long-term debt was \$850,850,000 at an average interest rate of 5%. The current portion of long-term debt at June 30, 2013, was \$34,365,000.

Complete financial information for NCPA may be obtained at the following administration office:

Northern California Power Agency  
180 Cirby Way  
Roseville, CA 95678

**Transmission Agency of Northern California**

The Transmission Agency of Northern California (TANC) was organized under the California Government Code pursuant to a joint powers agreement entered into by fifteen Northern California utilities including the City of Lodi. The purpose of TANC is to provide electric transmission or other facilities for the use of its members through its authority to acquire, construct, finance, operate and maintain facilities for electric power

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

transmission. The joint powers agreement provides that the costs of TANC's activities can be financed or recovered through assessment of its members or user charges through transmission contracts with its members. Each TANC member has agreed to pay a pro rata share of the costs to operate TANC and has the right to participate in future project agreements. The joint powers agreement remains in effect until debt obligations and interest thereon have been paid, unless otherwise extended by the members.

Increase in Non-defaulting Project Participant's Original Project Entitlement Percentage

Upon the failure of any Project Participant to make any payment, which failure constitutes a default under the Member Agreement for the projects, and except as sales and transfers are made pursuant thereto, the Member Agreements provide that Project Entitlement for each non-defaulting Project Participant shall be automatically increased for the remaining term of the Member Agreement; pro rata with those of the non-defaulting Project Participant thereunder; provided, however, that the sum of such increase for any non-defaulting Project Participant shall not exceed, without written consent of such non-defaulting Project Participant, an accumulated maximum of 25% of the non-defaulting Project Participant's original Project Entitlement Percentage Share.

California-Oregon Transmission Project

The project is a 340-mile long, 500-kilovolt alternating current transmission project between Southern Oregon and Central California. The project is operated in coordination with the Pacific AC Intertie as a part of the California-Oregon Intertie (COI) within the Western Electricity Coordinating Council (WECC) region. The WECC approved rating of the COI is 4,800 MW.

TANC, Western Area Power Authority (WAPA), and five other parties have agreed to an Interim Participation Agreement (IPA) under which each project participant is granted a percentage entitlement in project transfer capability and is required to pay a percentage of the costs. Pursuant to the IPA and a subsequent agreement with WAPA, and the purchase of entitlement, rights and title, and interest in the City of Vernon's share of the project transmission assets, TANC is entitled to use approximately 1,362 MW, and is obligated to pay an average of approximately 80 percent of the operating costs associated with the project.

Under the TANC joint powers agreement, the City is obligated to pay 1.89% of its debt service and operating costs. At June 30, 2013, approximately \$343 million in long-term debt was outstanding of which \$29 million is considered current.

Effective July 1, 2014, the City has terminated its interest in the California-Oregon Transmission Project to other TANC members. As a result, the City will not incur any costs after this date related to this Project.

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

Complete financial information for TANC may be obtained at the following administration office:

Transmission Agency of Northern California  
3100 Zinfandel Drive, Suite 600  
Sacramento, CA 95670

**(13) MEMBERSHIP IN INSURANCE POOLS**

**California Joint Powers Risk Management Authority**

The City is a member, along with 16 other individual cities and 4 joint powers authorities, of California Joint Powers Risk Management Authority (CJPRMA) organized under a Joint Powers Agreement pursuant to the California Government Code for the purpose of sharing the risk of catastrophic general liability, automobile liability and public officials' errors and omissions losses. CJPRMA has a twenty-one member Board of Directors, including a director from the City of Lodi. The Board members elect officers of CJPRMA every two years.

The ultimate cost of the program to the City depends on the catastrophic losses of all members, as well as the City's own loss experience and will be determined through an actuarial analysis of loss history during the ten-year period preceding the three years prior to the end of the current program year. The City periodically pays deposits to the CJPRMA. These deposits are recorded as expenses in the year paid, as they are a reasonable estimate of the actual cost of the program. During the year ended June 30, 2014, premiums of \$66,069 were paid to CJPRMA for the liability program.

The participants at June 30, 2014, are as follows: Alameda, Chico, Fairfield, Fremont, Livermore, Lodi, Northern California Cities Self Insurance Fund, Petaluma, Redding, Redwood Empire Municipal Insurance Fund, Richmond, Roseville, San Leandro, San Rafael, Santa Rosa, Small Cities Organized Risk Effort, Stockton, Sunnyvale, Vacaville, Vallejo, and Yolo County Public Agencies Risk Management Insurance Authority.

Complete financial information for CJPRMA may be obtained at the following administration office:

California Joint Powers Risk Management Authority  
3252 Constitution Dr.  
Livermore, CA 94551



CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

**Local Agency Workers' Compensation Excess Joint Powers Authority**

The City, along with thirty-three other public agencies, is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX), which was formed July 1992, for the purpose of sharing the risk of workers' compensation losses. LAWCX offers \$150,000, 250,000, \$350,000, \$500,000 and \$1 million self-insured retentions (SIR) or a member can attach directly to the purchased excess insurance. LAWCX covers the layer above the member SIR up to \$5 million. The City of Lodi's self-insured retention is \$250,000. LAWCX participates in the California State Association of Counties Excess Insurance Authority (CSAC-EIA) to obtain coverage up to statutory limits. The City paid \$343,288 in premiums to LAWCX during the year ended June 30, 2014.

The participants at June 30, 2014, are as follows: City of Alameda, Association of Bay Area Governments Shared Risk Pool (ABAG SHARP), Bay Cities Joint Powers Insurance Authority (BCJPIA), City of Benicia, Central Contra Costa County Transit Agency (CCCTA), California Housing Workers' Compensation Authority (CHWCA), Central San Joaquin Valley Risk Management Authority (CSJVRMA), City of Clovis, City of Coronado, City of Encinitas, Fire Agencies Self Insurance System (FASIS), City of Gilroy, City of Livermore, City of Lodi, Town of Los Gatos, City of Merced, Monterey County Local Agencies Insurance Authority (MCLAIA), City of Morgan Hill, City of Newark, City of Placentia, City of Pleasanton, Public Agency Risk Sharing Authority of California (PARSAC), City of Roseville, Public Entity Risk Management Authority (PERMA), City of San Leandro, City of Santa Maria, City of Santee, Small Cities Organized Risk Effort (SCORE), City of South Lake Tahoe, City of Suisun City, City of Vacaville, City of Vallejo, Vector Control Joint Powers Agency (VCJPA) and City of Vista.

Complete financial information for LAWCX may be obtained at the following administration office:

Local Agency Workers' Compensation Excess Joint Powers Authority  
1750 Creekside Oaks Drive, Suite 200  
Sacramento, California 95833

**California Transit Insurance Pool**

The City, along with thirty-two other public agencies is a member of the California Transit Insurance Pool (CalTIP), a joint powers insurance authority which was formed for the purpose of sharing the risk of property damage, bodily injury, personal injury and public officials errors and omissions losses for public transit systems.

Liability protection coverage is provided under two programs:

Program I applies to members who choose to utilize CalTIP's claims administrator services.

Program II applies to members with self-insured retentions who choose to provide their own claims administrator services.

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

CalTIP purchases excess insurance over its \$1,000,000 retention up to \$20 million per occurrence. Each member is provided with \$4 million in excess of the pooled retention for a total of \$5 million in coverage and has the option to choose one or both of two additional layers for the full \$20 million.

CalTIP also provides physical damage coverage to its members. This coverage program is optional for all members and offers damage or loss protection for transit, staff and maintenance vehicles to transit operators. CalTIP self-insures up to \$100,000, under which members have the option of five levels of deductible ranging from \$500 to \$10,000 per vehicle. Claims are administered by the CalTIP's adjuster.

The City paid \$31,480 in premiums to CalTIP during the year ended June 30, 2014. There have been no reductions in insurance coverage from the prior year and there were no insurance settlements in excess of insurance coverage in any of the last three years.

	<b>Program</b>	<b>Self-Insured Retention</b>	<b>Limit (in millions)</b>	<b>Physical Damage</b>
City of Lodi Transit System	I	Prefunded	20	Yes

Complete financial information for CalTip may be obtained at the following administration office:

California Transit Insurance Pool  
1750 Creekside Oaks Drive, Suite 200  
Sacramento, California 95833

**(14) DEFICIT IN FUND EQUITY**

Nonmajor Governmental Fund – Parks, Recreation and Cultural Services – A deficit in fund equity in the amount of \$94,785 at June 30, 2014, (a reduction of \$414,081 from prior year) is attributed to the City raising some fees and diligently pursuing collection of previously established fees, reducing full-time staffing, contracting Senior Center operations to a local nonprofit organization and using donations to help offset the cost of repairs and maintenance in a concerted effort to eliminate this deficit.

Internal Service Funds - Benefits Fund – A deficit in fund equity in the amount of \$3,568,267 at June 30, 2014, is attributed to the net OPEB obligation set up in accordance with the requirements of GASB Statement No. 45. Net OPEB obligation as of June 30, 2014, was \$4,767,274. The City will continue to address annual funding to eliminate the deficit during the budget process.

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

**(15) POLLUTION REMEDIATION OBLIGATION**

The City relies on groundwater for its drinking water and in the late 1980's, PCE and TCE pollution was discovered in several municipal water supply wells. Investigations conducted by the California Regional Water Quality Control Board (RWQCB) in the early 1990's under the Well Investigation program revealed numerous areas where TCE was discharged, or where PCE from dry cleaning operations was discharged to the sewer system. In 1997, the Department of Toxic Substances Control (DTSC) and the City entered into a cooperative agreement whereby the City assumed a lead role in the cleanup and agreed to pursue legal action against potentially responsible parties (PRPs). The City's estimate of the pollution remediation obligation was \$70 million. The City has settled with all the involved parties.

The City received a draft cleanup and abatement order to investigate the discharges of waste, clean up the waste and abate the effects of the discharges of waste in conformance with the State Water Resources Control Board's (SWRCB) Resolution No. 92-49 Policies and Procedures for Investigation and Cleanup and Abatement of Discharges Under the Water Code Section 13304 and with the RWQCB's Water Quality Control Plan for the Sacramento River and San Joaquin River. The City then engaged the services of Treadwell and Rollo to advise the City on courses of action in the preparation of feasibility studies, remedial design, and remedial action plan to comply with the technical and reporting requirements of the SWRCB. The City's estimated total pollution remediation obligation as of June 30, 2014, is \$19,112,962. This amount is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

**(16) COMMITMENTS AND CONTINGENCIES**

**Litigation and claims** – The City has fully resolved all the litigation arising out of its groundwater contamination. Settlement and rate revenues have amassed a \$16 million dollar reserve which is expected to cover all costs through the next 10 years. Costs thereafter can be effectively managed with new rate revenues. As such, the City Attorney does not anticipate a material effect on the City's financial condition.

The City owns a 1,000 acre wastewater treatment facility known as "White Slough" approximately 5 miles west of the contiguous city limit. Neighboring farming and dairy operations are in litigation over elevated nitrate levels in the area. Efforts to join the City in the litigation have been so far unsuccessful but are expected to continue. It is too early at this stage to estimate liability or damages if the City is joined in the action.

However, the City Attorney does not currently expect the matter to have a material effect on the City's financial condition.

All other actions against the City are under \$75,000 or have no arguable cost and will therefore not have a material financial effect on the City.

**Water Purchase Agreement with Woodbridge Irrigation District** – The City obtains its municipal water supply from wells located within the City, extracting water from the underground aquifer, which is replenished in part by flows of the Mokelumne River. To avoid being wholly dependent upon wells and the possible impacts of eventual overdraft of the groundwater supply, the City made a commitment in 2003 to purchase surface water supply from Woodbridge Irrigation District for 40 years beginning in 2003. The agreement provides for the purchase of

CITY OF LODI  
Notes to Basic Financial Statements (continued)  
June 30, 2014

6,000 acre feet per year and the City pays the District \$1.2 million annually. Effective January 1, 2010, the amount payable to the District shall be increased by two percent (2%) per year or by the change in the Consumer Price Index whichever is higher but shall not exceed five percent (5%).

**Arbitrage Earnings Rebate Liability** – Arbitrage earnings are defined as income earned on the unexpended tax-exempt certificate proceeds in excess of that which would have been earned had the moneys been invested in securities with a yield of the effective rate of the certificates. Currently, arbitrage earnings must be rebated to the United States Treasury every five years. There is no cumulative arbitrage liability as of June 30, 2014, for any of the City's outstanding Certificates of Participation and Revenue Bonds.

**(17) RESTATEMENT OF NET POSITION**

During the fiscal year ending June 30, 2014, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result of this implementation, the City restated the beginning net position to reflect the expensing of the unamortized bond issuance costs in the current period in the amount of \$234,166 and \$3,265,983 previously reported as an asset in the Statement of Net Position, for governmental and business-type activities, respectively. The \$3,265,983 restatement of the business-type activities resulted from the combined restatement of the Electric Enterprise Fund (\$2,200,961), the Wastewater Enterprise Fund (\$687,020), and the Water Enterprise Fund (\$378,002). Additionally, the governmental activities and internal service funds beginning net position have been restated by \$999,000 for an understatement of last year's net OPEB obligation.

**(This page intentionally left blank.)**

## REQUIRED SUPPLEMENTARY INFORMATION

---

**City of Lodi**  
**Required Supplementary Information**  
**Schedule of Funding Progress - Pension Plan**  
**June 30, 2014**  
(in thousands of dollars)

Plan	Actuarial Valuation Date	Actuarial Asset Value (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability [(B) - (A)]	Funded Ratio [(A) / (B)]	Covered Payroll (C)	Unfunded Actuarial Liability as Percentage of Covered Payroll {[(B) - (A)]/(C)}
Safety	6/30/11	\$ 97,287	\$ 132,267	\$ 34,980	73.6%	\$ 10,489	333.5%
	6/30/12	101,078	138,186	37,108	73.1%	10,740	345.5%
	6/30/13*	92,886	146,425	53,539	63.4%	10,868	492.6%
Miscellaneous	6/30/11	120,203	142,608	22,405	84.3%	16,970	132.0%
	6/30/12	123,150	146,271	23,121	84.2%	15,651	147.7%
	6/30/13*	111,768	152,123	40,355	73.5%	16,184	249.4%

\* Based upon market value of assets.

**City of Lodi**  
**Required Supplementary Information**  
**Schedule of Funding Progress – OPEB Plan**  
**June 30, 2014**  
(in thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Normal Accrued Liability (B)	Unfunded Liability [(B) - (A)]	Funded Ratio [(A) / (B)]	Annual Covered Payroll (C)	UAAL As a Percentage of Covered Payroll {[(B) – (A)]/(C)}
1/1/10	\$ 0	\$ 17,710	\$ 17,710	0%	\$ 9,410	188%
1/1/12	0	17,011	17,011	0%	7,305	233%
1/1/14	0	16,879	16,879	0%	5,697	296%



**CITY OF LODI**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year ended June 30, 2014**

	Budget			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Taxes	\$ 23,172,100	23,172,100	23,718,396	\$ 546,296
Licenses and permits	101,650	101,650	83,420	(18,230)
Intergovernmental revenues	10,956,410	10,968,410	11,319,708	351,298
Charges for services	1,157,030	1,157,030	1,025,851	(131,179)
Fines, forfeits and penalties	1,250,600	1,250,600	1,552,531	301,931
Investment and rental income	1,413,650	1,413,650	1,548,787	135,137
Miscellaneous revenue	279,760	279,760	352,331	72,571
Total revenues	<u>38,331,200</u>	<u>38,343,200</u>	<u>39,601,024</u>	<u>1,257,824</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
City Council	138,290	138,290	130,738	7,552
City Manager	884,980	889,733	872,257	17,476
City Clerk	374,770	398,699	398,699	
City Attorney	472,200	476,578	454,892	21,686
Human Resources	371,380	385,293	385,293	
Information Systems	987,090	1,004,335	1,004,335	
Financial Services	1,578,030	1,585,912	1,585,912	
Budget and Treasury	300,980	245,980	244,074	1,906
Non Departmental	1,346,450	1,504,623	1,406,026	98,597
Total general government	<u>6,454,170</u>	<u>6,629,443</u>	<u>6,482,226</u>	<u>147,217</u>
Public protection:				
Police	16,739,830	17,183,032	16,667,609	515,423
Fire	9,536,340	9,802,501	9,802,501	
Total public protection	<u>26,276,170</u>	<u>26,985,533</u>	<u>26,470,110</u>	<u>515,423</u>
Public Works	<u>1,890,310</u>	<u>1,890,310</u>	<u>1,554,939</u>	<u>335,371</u>
Library	<u>1,335,090</u>	<u>1,379,346</u>	<u>1,267,850</u>	<u>111,496</u>
Total expenditures	<u>35,955,740</u>	<u>36,884,632</u>	<u>35,775,125</u>	<u>1,109,507</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>2,375,460</u>	<u>1,458,568</u>	<u>3,825,899</u>	<u>2,367,331</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,952,000	3,952,000	3,952,000	
Transfers out	(6,265,790)	(6,269,351)	(6,269,351)	
Total other financing sources (uses)	<u>(2,313,790)</u>	<u>(2,317,351)</u>	<u>(2,317,351)</u>	
<b>NET CHANGE IN FUND BALANCE</b>	61,670	(858,783)	1,508,548	2,367,331
<b>FUND BALANCE , beginning of year</b>	7,148,409	7,148,409	7,965,212	816,803
<b>FUND BALANCE, end of year</b>	<u>\$ 7,210,079</u>	<u>6,289,626</u>	<u>9,473,760</u>	<u>\$ 3,184,134</u>

The note to the required supplementary information is an integral part of this schedule.

CITY OF LODI  
Note to the Required Supplementary Information  
June 30, 2014

**Budgetary Data**

The City adopts an annual budget for the general and special revenue funds. These budgets are prepared in accordance with generally accepted accounting principles. As part of the City's internal controls, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with the legal provisions embodied in the annual appropriated budget approved by the City Council. The accompanying financial statements present budget and actual data only of funds for which an annual budget was adopted. The budgets for capital projects are primarily "long-term" budgets that emphasize the major programs and capital project plans extending over a number of years. Due to the long-term nature of these projects, "annual" budget and actual comparisons are not considered meaningful. Formal budgetary integration is not employed for debt service funds since effective budgetary control is alternatively achieved through the bond indenture provisions. Accordingly, no budgetary information is included in the accompanying basic financial statements for capital projects and debt service funds.

The City Council follows the following procedures in establishing the budgetary data reflected in the accompanying basic financial statements:

**Original Budget**

On or prior to the first regular Council meeting in June of each year, the City Manager submits to the City Council a proposed Financial Plan and Budget for the fiscal year commencing July 1. The budget includes proposed expenditures and the means of financing them.

Budgeted revenues are adopted by the City Council at the time the budget is approved. Budgeted revenues are modified when the tax base changes, when fees are modified or when new revenue sources are identified.

Public hearings are conducted during meetings of the City Council to obtain citizens' comments. Prior to July 1, the budget is legally enacted through passage of a resolution.

**Final Budget**

The final budgetary data presented in the basic financial statements reflects the following changes to the original budget:

- Budgeted expenditures represent original appropriations adjusted by budget transfers and appropriation amendments. The legal level of budgetary control (that is, the level at which expenditures can not legally exceed the appropriated

amount) is at the department level. The operating budget is prepared and controlled at the department level (e.g., city clerk, city manager, etc.) for the General Fund. Special revenue fund expenditures, including transfers out, are approved by Council at the fund level.

- The City Manager may transfer appropriations from one activity to another within a department without approval from the City Council. All other appropriation adjustments during the year, whether transfers, increases or decreases, require City Council approval.

**(This page intentionally left blank.)**

COMBINING AND INDIVIDUAL FUND STATEMENTS  
AND SCHEDULES

---

## NONMAJOR GOVERNMENTAL FUNDS

---

Nonmajor Governmental Funds include:

**Special Revenue Funds** account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes, other than those for major capital projects;

**Debt Service Fund** account for the accumulation of resources for the repayment of principal and interest on general long-term debt;

**Capital Projects Funds** account for the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

**CITY OF LODI  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2014**

<u>Assets</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Cash and investments	\$ 4,418,930	8,270,853	\$ 12,689,783
Receivables:			
Accounts, net	284,007		284,007
Interest	1,187	1,657	2,844
Due from other funds	111,112		111,112
Due from other governmental agencies	1,487,335		1,487,335
Inventory	3,748		3,748
Other assets	362		362
Total assets	\$ <u>6,306,681</u>	<u>8,272,510</u>	\$ <u>14,579,191</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities:			
Accounts payable and other liabilities	\$ 847,982	196,154	\$ 1,044,136
Due to other funds	111,112		111,112
Advances from other funds		1,679,025	1,679,025
Unearned revenue	31,002		31,002
Total liabilities	<u>990,096</u>	<u>1,875,179</u>	<u>2,865,275</u>
Deferred Inflows of Resources:			
Unavailable revenue	<u>44,707</u>		<u>44,707</u>
Fund Balances:			
Nonspendable:			
Inventory	3,748		3,748
Restricted for:			
Road-related projects	3,987,407		3,987,407
Capital projects		6,397,331	6,397,331
Public safety	271,213		271,213
Community development	1,108,043		1,108,043
Unassigned	(98,533)		(98,533)
Total fund balances	<u>5,271,878</u>	<u>6,397,331</u>	<u>11,669,209</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>6,306,681</u>	<u>8,272,510</u>	\$ <u>14,579,191</u>

**CITY OF LODI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Year ended June 30, 2014**

	Special Revenue	Debt Service	Capital Projects	Total
Revenues:				
Licenses and permits	\$ 768,586			\$ 768,586
Intergovernmental revenues	6,022,465		50,000	6,072,465
Charges for services	2,385,244		147,129	2,532,373
Fines, forfeits and penalties	3,900			3,900
Investment and rental income	435,094		40,877	475,971
Miscellaneous revenue	158,972		492,071	651,043
Total revenues	<u>9,774,261</u>		<u>730,077</u>	<u>10,504,338</u>
Expenditures:				
Current:				
General government	2,536,519			2,536,519
Public protection	622,447			622,447
Public works	2,838,150			2,838,150
Community development	1,191,901			1,191,901
Parks and recreation	2,299,213			2,299,213
Capital outlay	4,373,739		3,278,389	7,652,128
Debt service:				
Interest and fiscal charges		851,411		851,411
Total expenditures	<u>13,861,969</u>	<u>851,411</u>	<u>3,278,389</u>	<u>17,991,769</u>
Deficiency of revenues under expenditures	<u>(4,087,708)</u>	<u>(851,411)</u>	<u>(2,548,312)</u>	<u>(7,487,431)</u>
Other financing sources (uses):				
Transfers in	4,272,480	851,411	2,519,790	7,643,681
Transfers out	(534,330)			(534,330)
Total other financing sources (uses)	<u>3,738,150</u>	<u>851,411</u>	<u>2,519,790</u>	<u>7,109,351</u>
Net change in fund balances	(349,558)		(28,522)	(378,080)
Fund balances, beginning of year	<u>5,621,436</u>		<u>6,425,853</u>	<u>12,047,289</u>
Fund balances, end of year	<u>\$ 5,271,878</u>		<u>\$ 6,397,331</u>	<u>\$ 11,669,209</u>



NONMAJOR GOVERNMENTAL FUNDS

---

SPECIAL REVENUE FUNDS

## **SPECIAL REVENUE FUNDS**

### **Parks, Recreation and Community Services**

This fund was established to account for the revenues and expenditures related to the activities of the Hutchins Street Square and Performing Arts Theater and the wide-range of parks and recreation activities and programs offered to the public

### **Public Safety**

This fund was established to account for the revenues and expenditures related to the City's share of property forfeited by persons convicted of possession and selling illegal drugs and the State of California auto theft prosecution monies along with State and Federal grants related to public safety operations.

### **Community Development**

This fund was established to account for development planning and project review services including land use entitlements, permit processing and review/inspection of public improvements to ensure orderly physical growth and development of the City.

### **Streets Fund**

This fund was established to account for the following:

#### **Gas Tax**

To account for revenues and expenditures apportioned to the City under the Streets and Highway Code. Portions of the tax rate levied by the State of California on all gasoline purchases are allocated to cities throughout the State on a population basis. These funds are restricted for expenditure by the State of California for street related purposes only.

#### **Development Impact Mitigation Fees**

To account for impact fees charged to provide for the building of various storm drains and street improvements needed to serve new development. The fees are calculated on a per acre basis and are collected at subdivision final map approval or with building permit stage effective November 4, 1991.

#### **Measure K Sales Tax**

To account for revenues and expenditures apportioned to the City for sales tax collections under Measure K. Expenditures for administration, maintenance and construction must be for street-related projects.

**Intermodal Surface Transportation Efficiency Act (ISTEA)**

To account for revenues from the federal highway administration for programs including surface transportation program (STP) for streets and roads, congestion mitigation and air quality program (CMAQ) and hazard elimination safety (HES) for street lighting projects.

**Transportation**

This fund was established to account for the receipt of moneys from the State of California apportioned to the City for transportation purposes. The State has designated 1/4% of the 6% sales tax levied statewide for local transportation purposes. Funding for this program was provided during the 1971 legislative session with the enactment of the Transportation Development Act, which extended the 6% sales tax to include purchases of gasoline. Revenues allocated to the City of Lodi under this program are divided into two categories: Article 8 funds, which are restricted for the improvement and maintenance of street systems; and Article 4 funds, which are restricted for public transit systems.

**HOME Program and Community Development Block Grants**

This fund was established to account for the City's HOME Program that provides adequate and affordable housing for low and very low-income residents, and Community Development Block Grants provided to the City principally for low and moderate income residents to develop a suitable living environment and expand economic opportunities.

**CITY OF LODI**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**  
**June 30, 2014**

	<b>Parks, Recreation and Community Services</b>	<b>Public Safety</b>	<b>Community Development</b>	<b>Streets</b>	<b>Transportation</b>	<b>HOME Program and Community Development Block Grants</b>	<b>Total</b>
<b>ASSETS</b>							
Cash and Investments	\$	81,604	1,039,871	3,297,455			\$ 4,418,930
Receivables:							
Accounts, net	6,349		15,019	223,200	39,439		284,007
Interest		73	287	819		8	1,187
Due from other funds			67,908	43,204			111,112
Due from other governmental agencies		259,908		1,035,790		191,637	1,487,335
Inventory	3,748						3,748
Other assets	326			36			362
<b>TOTAL ASSETS</b>	<b>\$ 10,423</b>	<b>341,585</b>	<b>1,123,085</b>	<b>4,600,504</b>	<b>39,439</b>	<b>191,645</b>	<b>\$ 6,306,681</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)</b>							
<b>LIABILITIES</b>							
Accounts payable and other liabilities	\$ 37,300	70,372	15,042	613,205	11,376	100,687	\$ 847,982
Due to other funds	67,908				28,063	15,141	111,112
Unearned revenue						31,002	31,002
<b>TOTAL LIABILITIES</b>	<b>105,208</b>	<b>70,372</b>	<b>15,042</b>	<b>613,205</b>	<b>39,439</b>	<b>146,830</b>	<b>990,096</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue						44,707	44,707
<b>FUND BALANCES (DEFICIT)</b>							
Nonspendable							
Inventory	3,748						3,748
Restricted for:							
Road-related projects				3,987,299		108	3,987,407
Other purposes		271,213	1,108,043				1,379,256
Unassigned	(98,533)						(98,533)
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>(94,785)</b>	<b>271,213</b>	<b>1,108,043</b>	<b>3,987,299</b>		<b>108</b>	<b>5,271,878</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)</b>	<b>\$ 10,423</b>	<b>341,585</b>	<b>1,123,085</b>	<b>4,600,504</b>	<b>39,439</b>	<b>191,645</b>	<b>\$ 6,306,681</b>

**CITY OF LODI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**  
**Year ended June 30, 2014**

	Parks Recreation & Community Services	Public Safety	Community Development	Streets	Transportation	HOME Program & Community Development Block Grants	Total
<b>REVENUES</b>							
Licenses and permits	\$		768,586				\$ 768,586
Intergovernmental revenues		598,266		4,569,419	39,197	815,583	6,022,465
Charges for services	1,766,981		450,219	168,044			2,385,244
Fines, forfeits and penalties		3,900					3,900
Investment and rental income	404,671	1,595	6,586	22,242			435,094
Miscellaneous revenue	18,881		78,537	61,554			158,972
Total revenues	<u>2,190,533</u>	<u>603,761</u>	<u>1,303,928</u>	<u>4,821,259</u>	<u>39,197</u>	<u>815,583</u>	<u>9,774,261</u>
<b>EXPENDITURES</b>							
Current							
General government	2,536,519						2,536,519
Public protection		622,447					622,447
Public works				2,045,400		792,750	2,838,150
Community development			1,169,176			22,725	1,191,901
Parks and recreation	2,299,213						2,299,213
Capital outlay				4,334,176	39,563		4,373,739
Total expenditures	<u>4,835,732</u>	<u>622,447</u>	<u>1,169,176</u>	<u>6,379,576</u>	<u>39,563</u>	<u>815,475</u>	<u>13,861,969</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,645,199)</u>	<u>(18,686)</u>	<u>134,752</u>	<u>(1,558,317)</u>	<u>(366)</u>	<u>108</u>	<u>(4,087,708)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	3,591,100		100,000	581,380			4,272,480
Transfers out	(531,820)		(2,510)				(534,330)
Total other financing sources (uses)	<u>3,059,280</u>		<u>97,490</u>	<u>581,380</u>			<u>3,738,150</u>
<b>NET CHANGE IN FUND BALANCES</b>	414,081	(18,686)	232,242	(976,937)	(366)	108	(349,558)
<b>FUND BALANCES (DEFICIT), beginning of year</b>	<u>(508,866)</u>	<u>289,899</u>	<u>875,801</u>	<u>4,964,236</u>	<u>366</u>		<u>5,621,436</u>
<b>FUND BALANCES (DEFICIT), end of year</b>	<u>\$ (94,785)</u>	<u>271,213</u>	<u>1,108,043</u>	<u>3,987,299</u>		<u>108</u>	<u>\$ 5,271,878</u>

**CITY OF LODI**  
**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**  
**Year ended June 30, 2014**

	PARKS, RECREATION AND COMMUNITY SERVICES		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Charges for services	\$ 1,702,470	1,766,981	\$ 64,511
Investment and rental income	425,000	404,671	(20,329)
Miscellaneous revenue	16,840	18,881	2,041
Total Revenue	<u>2,144,310</u>	<u>2,190,533</u>	<u>46,223</u>
EXPENDITURES			
Current			
General government	2,768,740	2,536,519	232,221
Parks and recreation	2,434,850	2,299,213	135,637
Total Expenditures	<u>5,203,590</u>	<u>4,835,732</u>	<u>367,858</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(3,059,280)</u>	<u>(2,645,199)</u>	<u>414,081</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	3,591,100	3,591,100	
Transfers out	(531,820)	(531,820)	
Total other financing sources (uses)	<u>3,059,280</u>	<u>3,059,280</u>	
NET CHANGE IN FUND BALANCE		414,081	414,081
FUND DEFICIT, BEGINNING OF YEAR	<u>(508,866)</u>	<u>(508,866)</u>	
FUND DEFICIT, END OF YEAR	<u>\$ (508,866)</u>	<u>(94,785)</u>	<u>\$ 414,081</u>

**CITY OF LODI**  
**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**  
**Year ended June 30, 2014**

	PUBLIC SAFETY		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	\$ 843,378	598,266	\$ (245,112)
Fines, forfeits and penalties	5,070	3,900	(1,170)
Investment and rental income	820	1,595	775
Miscellaneous revenue	600		(600)
Total Revenue	849,868	603,761	(246,107)
EXPENDITURES			
Current			
Public protection	804,934	622,447	182,487
NET CHANGE IN FUND BALANCE	44,934	(18,686)	(63,620)
FUND BALANCE, BEGINNING OF YEAR	289,899	289,899	
FUND BALANCE, END OF YEAR	\$ 334,833	271,213	\$ (63,620)

**CITY OF LODI**  
**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**  
**Year ended June 30, 2014**

	COMMUNITY DEVELOPMENT		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Licenses and permits	\$ 569,450	768,586	\$ 199,136
Charges for services	370,220	450,219	79,999
Investment and rental income	1,180	6,586	5,406
Miscellaneous revenue	<u>144,000</u>	<u>78,537</u>	<u>(65,463)</u>
Total Revenue	1,084,850	1,303,928	219,078
EXPENDITURES			
Current			
Community development	<u>1,199,400</u>	<u>1,169,176</u>	<u>30,224</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(114,550)</u>	<u>134,752</u>	<u>249,302</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	100,000	100,000	
Transfers out	<u>(2,510)</u>	<u>(2,510)</u>	
Total other financing sources (uses)	<u>97,490</u>	<u>97,490</u>	
NET CHANGE IN FUND BALANCE	(17,060)	232,242	249,302
FUND BALANCE, BEGINNING OF YEAR	<u>875,801</u>	<u>875,801</u>	
FUND BALANCE, END OF YEAR	<u>\$ 858,741</u>	<u>1,108,043</u>	<u>\$ 249,302</u>



**CITY OF LODI**  
**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**  
**Year ended June 30, 2014**

	STREETS		
	FINAL BUDGET	Actual	Variance with Final Budget
REVENUES			
Intergovernmental revenues	\$ 5,084,682	4,569,419	\$ (515,263)
Charges for services	316,070	168,044	(148,026)
Investment and rental income	20,400	22,242	1,842
Miscellaneous revenue	35,000	61,554	26,554
Total Revenue	<u>5,456,152</u>	<u>4,821,259</u>	<u>(634,893)</u>
EXPENDITURES			
Current			
Public works	2,045,400	2,045,400	
Capital outlay	<u>7,399,042</u>	<u>4,334,176</u>	<u>3,064,866</u>
Total Expenditures	<u>9,444,442</u>	<u>6,379,576</u>	<u>3,064,866</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(3,988,290)	(1,558,317)	2,429,973
OTHER FINANCING SOURCES			
Transfers in	<u>581,380</u>	<u>581,380</u>	
NET CHANGE IN FUND BALANCE	(3,406,910)	(976,937)	2,429,973
FUND BALANCE, BEGINNING OF YEAR	<u>4,964,236</u>	<u>4,964,236</u>	
FUND BALANCE, END OF YEAR	<u>\$ 1,557,326</u>	<u>3,987,299</u>	<u>\$ 2,429,973</u>

**CITY OF LODI**  
**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**  
**Year ended June 30, 2014**

	TRANSPORTATION		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	\$ 39,472	39,197	\$ (275)
EXPENDITURES			
Capital outlay	39,614	39,563	51
NET CHANGE IN FUND BALANCE	(142)	(366)	(224)
FUND BALANCE, BEGINNING OF YEAR	366	366	
FUND BALANCE, END OF YEAR	\$ 224		\$ (224)

**CITY OF LODI**  
**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**  
**Year ended June 30, 2014**

	HOME PROGRAM and COMMUNITY DEVELOPMENT BLOCK GRANTS		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	\$ 1,138,549	815,583	\$ (322,966)
EXPENDITURES			
Current			
Public works	1,115,824	792,750	323,074
Community development	22,725	22,725	
Total Expenditures	1,138,549	815,475	323,074
NET CHANGE IN FUND BALANCE		108	108
FUND BALANCE, BEGINNING OF YEAR			
FUND BALANCE, END OF YEAR	\$	108	\$ 108

NONMAJOR GOVERNMENTAL FUNDS

---

CAPITAL PROJECT FUNDS

## **CAPITAL PROJECT FUNDS**

### **Vehicle and Equipment**

This fund was established to account for the financing and replacement of vehicles and equipment for all funds of the City with the exception of the Enterprise Funds. Financing is primarily provided through transfers from other funds, interest earnings and sales of surplus property.

### **Library**

This fund is used to account for the acquisition, construction and installation of capital facilities for the Library.

### **Hutchins Street Square**

When the old Lodi High School burned down, the City purchased the property and renamed it Hutchins Street Square. The Old Lodi High Site Foundation was established which organizes events to raise money for the capital restoration of Hutchins Street Square.

### **Capital Outlay Reserve**

This fund was established to account for the entire City's construction projects and capital purchases in excess of \$10,000 with the exception of those funded through Enterprise Funds. Financing is provided primarily through transfers from other funds and from State and Federal grants.

### **Parks Capital**

This fund was established to account for the acquisition, construction and installation of capital facilities for the various city parks.

**CITY OF LODI  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS  
June 30, 2014**

	<u>Vehicle and Equipment</u>	<u>Library</u>	<u>Hutchins Street Square</u>	<u>Capital Outlay Reserve</u>	<u>Parks Capital</u>	<u>Total</u>
ASSETS						
Cash and investments	\$ 1,850,648	43,982	2,181	5,304,439	1,069,603	\$ 8,270,853
Receivables:						
Interest				1,380	277	1,657
TOTAL ASSETS	<u>\$ 1,850,648</u>	<u>43,982</u>	<u>2,181</u>	<u>5,305,819</u>	<u>1,069,880</u>	<u>\$ 8,272,510</u>
LIABILITIES						
Accounts payable and other liabilities	\$ 36,578	15,092		139,534	4,950	\$ 196,154
Advances from other funds				1,229,025	450,000	1,679,025
TOTAL LIABILITIES	<u>36,578</u>	<u>15,092</u>		<u>1,368,559</u>	<u>454,950</u>	<u>1,875,179</u>
FUND BALANCES						
Restricted for:						
Capital projects	1,814,070	28,890	2,181	3,937,260	614,930	6,397,331
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,850,648</u>	<u>43,982</u>	<u>2,181</u>	<u>5,305,819</u>	<u>1,069,880</u>	<u>\$ 8,272,510</u>

**CITY OF LODI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS**  
**Year ended June 30, 2014**

	Vehicle and Equipment	Library	Hutchins Street Square	Capital Outlay Reserve	Parks Capital	Total
REVENUES						
Intergovernmental revenues	\$ 50,000					\$ 50,000
Charges for services				144,129	3,000	147,129
Investment and rental income				33,594	7,283	40,877
Miscellaneous revenue	13,500	350,000			128,571	492,071
Total revenues	63,500	350,000		177,723	138,854	730,077
EXPENDITURES						
Capital outlay	950,543	321,110		1,435,013	571,723	3,278,389
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(887,043)	28,890		(1,257,290)	(432,869)	(2,548,312)
OTHER FINANCING SOURCES						
Transfers in	307,870			2,101,200	110,720	2,519,790
NET CHANGE IN FUND BALANCES	(579,173)	28,890		843,910	(322,149)	(28,522)
FUND BALANCES, BEGINNING OF YEAR	2,393,243		2,181	3,093,350	937,079	6,425,853
FUND BALANCES, END OF YEAR	\$ 1,814,070	28,890	2,181	3,937,260	614,930	\$ 6,397,331

**(This page intentionally left blank.)**



## INTERNAL SERVICE FUNDS

---

Internal Service Funds are maintained to account for the internal transfer of services between operating units of the City and to achieve a level of operating efficiency that may not be available if the same activities were performed by multiple organizations.

### **Fleet Services**

This fund is used to account for the operation, maintenance and timely replacement of the City's fleet of vehicles which serve the transportation needs of all city departments.

### **Benefits**

This fund is used to account for the following employee benefits:

Dental	Employee assistance program
Chiropractic	Employee recognition program
Life/accidental insurance	Unemployment insurance
Medical	Flexible spending program
Vision	Long Term Disability

### **Insurance**

This fund is used to account for the following insurances:

General Liability  
Workers' Compensation  
Other Insurance

**CITY OF LODI**  
**COMBINING STATEMENT OF FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2014**

	<u>Fleet Services</u>	<u>Benefits</u>	<u>Insurance</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 72,372	1,249,353	12,253,198	\$ 13,574,923
Receivables:				
Interest		324	3,167	3,491
Inventory	138,786			138,786
Other assets	100			100
Noncurrent assets:				
Capital assets (net)	<u>28,942</u>			<u>28,942</u>
Total assets	<u>240,200</u>	<u>1,249,677</u>	<u>12,256,365</u>	<u>13,746,242</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and other liabilities	67,083	50,670	35,451	153,204
Self-insurance liability			1,050,613	1,050,613
Accrued compensated absences	34,998			34,998
Noncurrent liabilities:				
Self-insurance liability			7,971,146	7,971,146
Accrued compensated absences	60,206			60,206
Net OPEB obligation		<u>4,767,274</u>		<u>4,767,274</u>
Total liabilities	<u>162,287</u>	<u>4,817,944</u>	<u>9,057,210</u>	<u>14,037,441</u>
<b>NET POSITION</b>				
Net investment in capital assets	28,942			28,942
Unrestricted (deficit)	<u>48,971</u>	<u>(3,568,267)</u>	<u>3,199,155</u>	<u>(320,141)</u>
Total net position	<u>\$ 77,913</u>	<u>(3,568,267)</u>	<u>3,199,155</u>	<u>\$ (291,199)</u>

**CITY OF LODI**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**Year ended June 30, 2014**

	Fleet Services	Benefits	Insurance	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
OPERATING REVENUES				
Charges for services	\$ 1,774,308	7,560,518	2,348,536	\$ 11,683,362
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
OPERATING EXPENSES				
Personnel services	707,838	223,196	148,829	1,079,863
Supplies, materials and services	988,791	6,151,582	542,142	7,682,515
Utilities	16,025			16,025
Depreciation	1,448			1,448
Claims	16,160	1,575,142	1,050,613	2,641,915
	<u>1,730,262</u>	<u>7,949,920</u>	<u>1,741,584</u>	<u>11,421,766</u>
TOTAL OPERATING EXPENSES				
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
OPERATING INCOME (LOSS)	44,046	(389,402)	606,952	261,596
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
NONOPERATING REVENUES				
Investment income		7,842	76,061	83,903
Other revenues	1,528	16,809	51,333	69,670
TOTAL NONOPERATING REVENUES	<u>1,528</u>	<u>24,651</u>	<u>127,394</u>	<u>153,573</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Change in net position	45,574	(364,751)	734,346	415,169
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
NET POSITION - BEGINNING OF YEAR, restated	32,339	(3,203,516)	2,464,809	(706,368)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
NET POSITION - END OF YEAR	\$ <u>77,913</u>	<u>(3,568,267)</u>	<u>3,199,155</u>	\$ <u>(291,199)</u>

**CITY OF LODI**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**Year ended June 30, 2014**

	Fleet Services	Benefits	Insurance	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,428	39,434	51,333	\$ 92,195
Receipts from interfund services provided	1,774,308	7,560,518	2,348,536	11,683,362
Cash paid to suppliers for goods and services	(1,040,477)	(7,223,629)	(1,670,513)	(9,934,619)
Payments to employees	(718,897)	(223,196)	(148,829)	(1,090,922)
Net cash provided by operating activities	<u>16,362</u>	<u>153,127</u>	<u>580,527</u>	<u>750,016</u>
Cash flows from investing activities:				
Interest on investments	<u>31</u>	<u>8,123</u>	<u>79,306</u>	<u>87,460</u>
Net increase in cash and cash equivalents	16,393	161,250	659,833	837,476
Cash and cash equivalents, beginning of year	55,979	1,088,103	11,593,365	12,737,447
Cash and cash equivalents, end of year	<u>\$ 72,372</u>	<u>1,249,353</u>	<u>12,253,198</u>	<u>\$ 13,574,923</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating Income (loss)	\$ 44,046	(389,402)	606,952	\$ 261,596
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,448			1,448
Other revenues	1,528	16,809	51,333	69,670
Change in assets and liabilities:				
Decrease in accounts receivable		22,625		22,625
Decrease in inventory	2			2
Increase in other assets	(100)			(100)
Increase (decrease) in accounts payable and other liabilities	(19,503)	(14,653)	17,545	(16,611)
Decrease in compensated absences	(11,059)			(11,059)
Decrease in self-insurance liability			(95,303)	(95,303)
Increase in net OPEB obligation		517,748		517,748
Net cash provided by operating activities	<u>\$ 16,362</u>	<u>153,127</u>	<u>580,527</u>	<u>\$ 750,016</u>

**(This page intentionally left blank.)**

## FIDUCIARY FUNDS

---

### **Private-Purpose Trust Funds**

These funds are used to account for trust agreements under which the principal and income benefit individuals, private organizations or other governments.

### **Agency Fund**

This fund was established to account for special assessments collected on the property tax roll by the City on behalf of the property owners within the Industrial Way Beckman Districts and the Downtown and Cherokee Lane Districts.

**CITY OF LODI**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**PRIVATE-PURPOSE TRUST FUNDS**  
**June 30, 2014**

	<u>Library</u>	<u>Hutchins Street Square Bequest</u>	<u>Total</u>
ASSETS			
Cash and Investments	\$ <u>271,195</u>	<u>1,516</u>	\$ <u>272,711</u>
NET POSITION-EXPENDABLE	\$ <u><u>271,195</u></u>	<u><u>1,516</u></u>	\$ <u><u>272,711</u></u>

**CITY OF LODI**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**PRIVATE-PURPOSE TRUST FUNDS**  
**Year ended June 30, 2014**

	<u>Library</u>	<u>Hutchins Street Square Bequest</u>	<u>Total</u>
ADDITIONS			
Investment income and donations	\$ 26,544	10	\$ 26,554
DEDUCTIONS			
Current			
Library	<u>28,760</u>		<u>28,760</u>
CHANGE IN NET POSITION	(2,216)	10	(2,206)
NET POSITION, BEGINNING OF YEAR	<u>273,411</u>	<u>1,506</u>	<u>274,917</u>
NET POSITION, END OF YEAR	<u>\$ 271,195</u>	<u>1,516</u>	<u>\$ 272,711</u>



**CITY OF LODI**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**Year ended June 30, 2014**

	Special Assessments			
	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
ASSETS				
Cash and investments	\$ 396,984	225,269	196,661	\$ 425,592
Interest receivable	223	113	223	113
TOTAL ASSETS	<u>\$ 397,207</u>	<u>225,382</u>	<u>196,884</u>	<u>\$ 425,705</u>
LIABILITIES				
Agency obligations	<u>\$ 397,207</u>	<u>28,498</u>		<u>\$ 425,705</u>

**(This page intentionally left blank.)**

## STATISTICAL SECTION

UNAUDITED

## STATISTICAL SECTION

The Statistical Section provides detailed information as a framework for understanding the information in the financial statements, notes and required supplementary information. This section presents additional data and analysis that may provide the reader with valuable insight regarding the demographics and the overall health of the City.

### Contents

### Pages

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being has changed over time.

108-113

#### **Revenue Capacity**

These schedules contain information to help the reader assess the factors affecting the City's most significant local revenue source, the property tax.

114-119

#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

120-126

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

127-129

#### **Operating Information**

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the city provides and the activities it performs.

130-134

### **Sources**

Unless otherwise noted, the information in these schedules are derived from the comprehensive annual financial report for the current year.

# CITY OF LODI

## NET POSITION BY COMPONENT LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities:										
Net investment in capital assets	\$ 105,462	\$ 106,828	\$ 107,587	\$ 114,165	\$ 113,308	\$ 115,036	\$ 107,874	\$ 110,815	\$ 111,572	\$ 106,293
Restricted	11,809	12,601	16,176	14,894	13,233	13,492	15,043	15,044	14,526	13,465
Unrestricted	2,551	1,157	(3,606)	(5,148)	(6,110)	(3,462)	(4,162)	(3,968)	(8,838)	(8,801)
Total governmental activities net position	\$ 119,822	\$ 120,586	\$ 120,157	\$ 123,911	\$ 120,431	\$ 125,066	\$ 118,755	\$ 121,891	\$ 117,260	\$ 110,957
Business-type activities:										
Net investment in capital assets	\$ 116,156	\$ 113,008	\$ 109,582	\$ 104,858	\$ 100,233	\$ 95,533	\$ 98,109	\$ 97,961	\$ 77,494	\$ 67,668
Restricted	6,703	6,600	6,533	5,303			8,657	8,711	10,969	2,351
Unrestricted	16,535	14,827	(34,563)	(34,129)	(28,591)	(35,448)	26,460	6,417	1,880	7,445
Total business-type activities net position	\$ 139,394	\$ 134,435	\$ 81,552	\$ 76,032	\$ 71,642	\$ 60,085	\$ 133,226	\$ 113,089	\$ 90,343	\$ 77,464
Primary government:										
Net investment in capital assets	\$ 221,618	\$ 219,836	\$ 217,169	\$ 219,023	\$ 213,541	\$ 210,569	\$ 205,983	\$ 208,776	\$ 189,066	\$ 173,961
Restricted	18,512	19,201	22,709	20,197	13,233	13,492	23,700	23,755	25,495	15,816
Unrestricted	19,086	15,984	(38,169)	(39,277)	(34,701)	(38,910)	22,298	2,449	(6,958)	(1,356)
Total primary government net position	\$ 259,216	\$ 255,021	\$ 201,709	\$ 199,943	\$ 192,073	\$ 185,151	\$ 251,981	\$ 234,980	\$ 207,603	\$ 188,421

Source: City of Lodi Financial Services Division

# CITY OF LODI

## CHANGES IN NET POSITION LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Expenses</b>										
Governmental activities:										
General government	\$ 9,580	\$ 8,943	\$ 9,381	\$ 8,262	\$ 8,749	\$ 9,451	\$ 8,307	\$ 7,853	\$ 9,746	\$ 9,958
Public protection	27,884	25,930	25,432	25,113	27,186	27,110	25,531	23,328	22,105	22,253
Public works	10,644	10,546	10,248	9,305	10,462	10,464	12,224	10,599	13,229	12,377
Community development	1,174	1,050	1,003	973	1,114	1,323	2,027	2,130	2,290	
Library	1,282	1,342	1,381	1,355	1,440	1,495	1,696	1,630	1,485	1,484
Parks and recreation	3,164	2,933	2,913	5,778	5,077	4,609	4,414	4,172	4,114	4,565
Interest and fiscal charges	825	416	1,033	1,075	1,105	1,134	1,166	1,201	1,234	1,617
Total governmental activities expenses	54,553	51,160	51,391	51,861	55,133	55,586	55,365	50,913	54,203	52,254
Business-type activities:										
Electric	61,974	61,106	62,599	63,399	64,364	73,358	65,201	67,534	63,780	57,308
Wastewater	12,527	13,423	17,441	11,687	11,289	10,940	12,227	9,271	8,574	10,653
Water	11,014	(34,877)	7,953	8,188	6,148	9,604	9,920	9,875	8,256	11,748
Transit	3,834	4,141	4,256	4,132	4,785	4,832	3,908	3,577	3,643	3,018
Total business-type activities expenses	89,349	43,793	92,249	87,406	86,586	98,734	91,256	90,257	84,253	82,727
Total primary government expenses	\$ 143,902	\$ 94,953	\$ 143,640	\$ 139,267	\$ 141,719	\$ 154,320	\$ 146,621	\$ 141,170	\$ 138,456	\$ 134,981
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 1,955	\$ 2,337	\$ 1,718	\$ 1,793	\$ 2,184	\$ 1,631	\$ 1,544	\$ 1,280	\$ 1,232	\$ 3,639
Public protection	582	538	500	643	714	844	837	582	563	623
Public works	415	224	166	356	326	358	755	295	320	461
Community development	1,219	1,458	993	1,601	786	749	1,085	1,174	1,630	
Library	43	44	43	47	48	44	53	53	54	49
Parks and recreation	1,479	1,404	1,241	1,245	1,269	1,158	851	1,007	918	833
Operating grants and contributions	2,686	2,341	2,300	2,236	1,927	1,951	2,305	2,589	2,587	2,195
Capital grants and contributions	5,359	4,216	5,025	6,737	5,122	10,822	4,717	6,975	14,631	17,559
Total governmental activities program revenues	13,738	12,562	11,986	14,658	12,376	17,557	12,147	13,955	21,935	25,359
Business-type activities:										
Charges for services:										
Electric	64,693	63,230	64,251	62,167	69,664	74,000	69,284	65,809	59,112	53,908
Wastewater	14,305	13,747	13,280	13,090	11,513	9,276	9,091	8,524	8,927	8,086
Water	12,756	12,441	12,083	11,940	11,716	11,787	11,350	10,040	8,343	7,713
Transit	203	185	186	195	217	251	278	401	386	340
Operating grants and contributions	4,431	5,178	4,214	3,983	3,449	3,653	3,381	2,621	3,377	2,731
Capital grants and contributions	2,846	4,715	3,206	5,150	1,408	5,774	8,064	19,984	11,146	3,401
Total business-type activities program revenues	99,234	99,496	97,220	96,525	97,967	104,741	101,448	107,379	91,291	76,179
Total primary government program revenues	\$ 112,972	\$ 112,058	\$ 109,206	\$ 111,183	\$ 110,343	\$ 122,298	\$ 113,595	\$ 121,334	\$ 113,226	\$ 101,538
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (40,815)	\$ (38,598)	\$ (39,405)	\$ (37,203)	\$ (42,757)	\$ (38,029)	\$ (43,218)	\$ (36,958)	\$ (32,268)	\$ (26,895)
Business-type activities	9,885	55,703	4,971	9,119	11,381	6,007	10,192	17,122	7,038	(6,548)
Total primary government net expense	\$ (30,930)	\$ 17,105	\$ (34,434)	\$ (28,084)	\$ (31,376)	\$ (32,022)	\$ (33,026)	\$ (19,836)	\$ (25,230)	\$ (33,443)

(Continued)

# CITY OF LODI

## CHANGES IN NET POSITION (Continued) LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>General Revenues and Other Changes in Net Position:</b>										
Governmental activities:										
Taxes:										
Property	\$ 12,758	\$ 12,218	\$ 12,103	\$ 12,698	\$ 12,836	\$ 13,564	\$ 13,838	\$ 9,524	\$ 8,031	\$ 7,124
Franchise taxes	8,838	8,735	8,712	8,692	8,658	8,357	9,338	9,609	8,721	8,918
Business license tax	1,528	1,524	1,628	1,246	1,242	1,190	1,140	1,082	973	982
Transient occupancy tax	594	546	486	426	382	405	396	380	368	352
Grants and contributions not restricted to specific programs	10,138	9,382	9,277	8,954	7,064	8,249	9,593	14,772	14,215	13,193
Investment earnings	203	44	132	133	155	467	1,008	874	328	150
Rent	1,906	1,370								
Other	528	610	2,052	1,556	1,917	2,382	1,077	621	1,012	608
Special item-gain on sale of parkland				321						
Transfers	4,792	5,682	1,261	6,657	5,868	5,368	3,693	4,727	4,923	4,008
Total governmental activities	41,285	40,111	35,651	40,683	38,122	39,982	40,083	41,589	38,571	35,335
Business-type activities:										
Investment earnings	757	497	566	575	731	1,385	2,028	2,380	2,008	1,880
Litigation- environmental lawsuits proceeds	-	1,107		-	300	2,010	8,892	6,222	6,700	9,150
Rent	4									
Other	2,370	1,258	1,244	1,353	923	1,891	2,717	1,749	2,056	2,432
Special item-forgiveness of debt										15,277
Special item-swap termination						(8,979)				
Transfers	(4,792)	(5,682)	(1,261)	(6,657)	(5,868)	(5,368)	(3,693)	(4,727)	(4,923)	(4,008)
Total business-type activities	(1,661)	(2,820)	549	(4,729)	(3,914)	(9,061)	9,944	5,624	5,841	24,731
Total primary government	\$ 39,624	\$ 37,291	\$ 36,200	\$ 35,954	\$ 34,208	\$ 30,921	\$ 50,027	\$ 47,213	\$ 44,412	\$ 60,066
<b>Change in Net Position</b>										
Governmental activities	\$ 470	\$ 1,513	\$ (3,754)	\$ 3,480	\$ (4,635)	\$ 1,953	\$ (3,135)	\$ 4,631	\$ 6,303	\$ 8,440
Business-type activities	8,224	52,883	5,520	4,390	7,467	(3,054)	20,136	22,746	12,879	18,183
Total primary government	\$ 8,694	\$ 54,396	\$ 1,766	\$ 7,870	\$ 2,832	\$ (1,101)	\$ 17,001	\$ 27,377	\$ 19,182	\$ 26,623

Source: City of Lodi Financial Services Division

# CITY OF LODI

## FUND BALANCES, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund										
Reserved	\$	\$	\$	\$	\$ 389	\$ 383	\$ 1,150	\$ 1,144	\$ 1,321	\$ 1,185
Unreserved					3,896	3,383	4,159	5,175	3,048	1,507
Nonspendable	10	9	6	357						
Committed	301	277		0						
Assigned	29	65	50	136						
Unassigned	9,134	7,614	6,233	5,654						
Total General Fund	\$ 9,474	\$ 7,965	\$ 6,289	\$ 6,147	\$ 4,285	\$ 3,766	\$ 5,309	\$ 6,319	\$ 4,369	\$ 2,692
All other governmental funds										
Reserved	\$	\$	\$	\$	\$ 7,801	\$ 1,487	\$ 1,932	\$ 1,874	\$ 1,138	\$ 4,942
Unreserved, reported in:										
Special revenue funds					963	6,540	7,433	6,651	6,271	1,400
Capital projects funds					3,649	5,217	5,504	6,200	5,663	5,650
Nonspendable	4	3	1							
Restricted	11,764	12,556	15,017	13,786						
Unassigned	(99)	(512)	(863)	(846)						
Total all other governmental funds	\$ 11,669	\$ 12,047	\$ 14,155	\$ 12,940	\$ 12,413	\$ 13,244	\$ 14,869	\$ 14,725	\$ 13,072	\$ 11,992
	\$ 21,143	\$ 20,012	\$ 20,444	\$ 19,087	\$ 16,698	\$ 17,010	\$ 20,178	\$ 21,044	\$ 17,441	\$ 14,684

Implemented GASB 54 during the 2011 fiscal year changing the presentation of fund balance.

Source: City of Lodi Financial Services Division



# CITY OF LODI

## CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues:</b>										
Taxes	\$ 23,719	\$ 23,022	\$ 22,928	\$ 23,061	\$ 23,118	\$ 23,516	\$ 24,712	\$ 20,594	\$ 18,094	\$ 17,606
Licenses and permits	852	921	686	954	520	431	683	717	1,020	2,511
Intergovernmental revenues	17,392	14,625	15,289	16,865	12,579	13,229	14,980	19,892	25,491	22,834
Charges for services	3,558	3,880	3,427	3,946	4,116	3,329	4,757	4,696	3,848	9,404
Fines and forfeitures	1,557	1,632	1,357	1,407	1,444	1,416	1,321	1,245	1,173	1,190
Investment and rental income	2,025	1,389	1,264	817	923	922	1,312	998	707	753
Contributions and donations	1,003			689						
Miscellaneous revenue	-	1,078	813	799	1,093	1,762	822	304	653	458
Total revenues	50,106	46,547	45,764	48,538	43,793	44,605	48,587	48,446	50,986	54,756
<b>Expenditures:</b>										
Current:										
General government	9,019	8,522	8,820	7,667	7,666	8,431	9,545	8,893	8,345	10,858
Public protection	27,093	26,282	25,249	24,489	24,466	24,716	23,979	22,211	20,863	20,351
Public works	4,393	4,532	4,174	3,715	4,383	4,657	5,842	5,587	7,827	7,361
Community development	1,192	1,111	1,037	969	1,013	1,341	2,006	2,062	1,847	
Library	1,268	1,411	1,381	1,357	1,322	1,500	1,673	1,588	1,468	1,420
Parks and recreation	2,299	2,370	2,254	4,127	4,180	3,776	3,826	3,598	3,440	3,691
Capital outlay	7,652	6,271	2,961	9,377	5,108	6,791	4,207	3,526	7,232	9,508
Debt service:										
Interest and fiscal charges	851	483	1,039	1,081	1,110	1,139	1,170	1,205	1,238	1,645
Principal payments	-	245	630	752	725	789	898	900	892	855
Advance refunding escrow	-	1,689								
Total expenditures	53,767	52,916	47,545	53,534	49,973	53,140	53,146	49,570	53,152	55,689
Excess (deficiency) of revenues over (under) expenditures	(3,661)	(6,369)	(1,781)	(4,996)	(6,180)	(8,535)	(4,559)	(1,124)	(2,166)	(933)

(Continued)

# CITY OF LODI

## CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (continued) LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Other financing sources (uses):</b>										
Transfers in	11,596	12,546	14,486	11,881	11,173	10,609	7,058	8,863	9,142	8,017
Transfers out	(6,804)	(6,864)	(11,348)	(5,224)	(5,305)	(5,242)	(3,365)	(4,136)	(4,219)	(4,009)
Proceeds from sale of land				98						
Capital lease proceeds										124
Refunding bonds issued	-	20,103								
Payment to refunded bond escrow agent	-	(19,848)								
Total other financing sources (uses)	4,792	5,937	3,138	6,755	5,868	5,367	3,693	4,727	4,923	4,132
Special item- sale of parkland			-	630						
Net change in fund balances	1,131	(432)	1,357	2,389	(312)	(3,168)	(866)	3,603	2,757	3,199
Fund balances, beginning of year	20,012	20,444	19,087	16,698	17,010	20,178	21,044	17,441	14,684	11,485
Fund balances, end of year	\$ 21,143	\$ 20,012	\$ 20,444	\$ 19,087	\$ 16,698	\$ 17,010	\$ 20,178	\$ 21,044	\$ 17,441	\$ 14,684
Debt service as a percentage of noncapital expenditures	1.9%	5.5%	3.9%	4.3%	4.3%	4.3%	4.4%	4.8%	4.9%	5.7%

Source: City of Lodi Finance Services Division

## City of Lodi

### TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year										% Change 2005 to 2014
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	
Property	\$ 8,314	\$ 7,955	\$ 7,861	\$ 8,285	\$ 8,342	\$ 8,887	\$ 9,210	\$ 9,289	\$ 7,676	\$ 6,771	23%
Sales and Use	10,111	9,350	9,246	8,663	6,873	8,028	9,296	10,137	9,812	9,183	10%
Transient Occupancy	594	545	486	426	382	405	396	380	368	352	69%
Franchise	1,862	1,758	1,734	1,715	1,681	1,415	976	929	890	821	127%
Documentary Transfer	155	120	91	95	117	114	125	235	355	353	-56%
Motor Vehicle in Lieu	4,289	4,143	4,151	4,317	4,377	4,784	4,797	4,635	4,402	4,606	-7%
Public Protection	341	325	295	250	267	296	338	390	310	304	12%
Business License	1,220	1,187	1,182	958	962	1,038	1,140	1,082	973	982	24%
In Lieu Franchise	6,977	6,977	6,977	6,977	6,977	6,942	8,362	8,680	7,831	8,097	-14%
Totals	<u>\$ 33,863</u>	<u>\$ 32,360</u>	<u>\$ 32,023</u>	<u>\$ 31,686</u>	<u>\$ 29,978</u>	<u>\$ 31,909</u>	<u>\$ 34,640</u>	<u>\$ 35,757</u>	<u>\$ 32,617</u>	<u>\$ 31,469</u>	8%

Note: General governmental tax revenues are included in taxes, licenses and permits, intergovernmental revenues and miscellaneous revenues.

## CITY OF LODI

### ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Secured roll	\$ 4,895,091	\$ 4,737,807	\$ 4,738,823	\$ 4,907,588	\$ 4,986,693	\$ 5,156,706	\$ 5,069,788	\$ 4,799,141	\$ 4,254,184	\$ 3,877,398
Utility roll	3,490	2,382	2,382	2,423	2,423	2,031	2,035	2,773	3,654	3,782
Unsecured roll	230,827	233,398	226,651	270,600	270,315	263,648	258,687	242,082	216,065	215,469
Gross assessed value	5,129,408	4,973,587	4,967,856	5,180,611	5,259,431	5,422,385	5,330,510	5,043,996	4,473,903	4,096,649
Less exemptions (1)	324,439	327,783	314,448	321,138	332,701	265,154	243,259	229,049	220,590	217,077
Net assessed value	<u>4,804,969</u>	<u>4,645,804</u>	<u>4,653,408</u>	<u>4,859,473</u>	<u>4,926,730</u>	<u>5,157,231</u>	<u>5,087,251</u>	<u>4,814,947</u>	<u>4,253,313</u>	<u>3,879,572</u>
Land	1,364,401	1,227,969	1,264,884	1,322,830	1,345,815	1,562,729	1,537,554	1,431,203	1,226,293	1,107,776
Improvements	3,443,266	3,445,328	3,401,792	3,534,778	3,600,824	3,577,741	3,503,186	3,327,453	2,989,575	2,739,061
Personal property	321,741	300,290	301,180	323,003	312,792	281,915	289,770	285,340	258,035	249,812
Gross assessed value	5,129,408	4,973,587	4,967,856	5,180,611	5,259,431	5,422,385	5,330,510	5,043,996	4,473,903	4,096,649
Less exemptions (1)	324,439	327,783	314,448	321,138	332,701	265,154	243,259	229,049	220,590	217,077
Net assessed value	<u>\$ 4,804,969</u>	<u>\$ 4,645,804</u>	<u>\$ 4,653,408</u>	<u>\$ 4,859,473</u>	<u>\$ 4,926,730</u>	<u>\$ 5,157,231</u>	<u>\$ 5,087,251</u>	<u>\$ 4,814,947</u>	<u>\$ 4,253,313</u>	<u>\$ 3,879,572</u>
Total Direct Tax Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

(1) All exemptions (secured, utility, and unsecured rolls) are homeowners - \$62,762 and other - \$261,677 = \$324,439

Note: In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only assessed at the time that it is sold to a new owner. At that point, the property being sold is reassessed at the purchase price. The assessed valuation data shown above represents the only data currently available with respect to the the actual market value of taxable property and is subject to the limitations described above.

Source: San Joaquin County Auditor-Controller's Office

## CITY OF LODI

### DIRECT AND OVERLAPPING PROPERTY TAX RATES LAST TEN FISCAL YEARS (Rate per \$100 of assessed value)

Fiscal Year	Basic		All Other	Total
	Countywide Levy	School		
2014	1.0000	0.0574	0.0000	1.0574
2013	1.0000	0.0646	0.0000	1.0646
2012	1.0000	0.0658	0.0000	1.0658
2011	1.0000	0.0626	0.0000	1.0626
2010	1.0000	0.0575	0.0000	1.0575
2009	1.0000	0.0517	0.0000	1.0517
2008	1.0000	0.0478	0.0000	1.0478
2007	1.0000	0.0478	0.0000	1.0478
2006	1.0000	0.0570	0.0000	1.0570
2005	1.0000	0.0311	0.0000	1.0311

Source: San Joaquin County Tax Collector

# CITY OF LODI

## PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND EIGHT YEARS AGO (Dollar amounts in thousands)

Taxpayer	Fiscal Year					
	2014			2006		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Lodi Memorial Hospital Assn	\$ 150,786	1	3.294 %			
General Mills	136,079	2	2.972	\$ 152,102	1	3.768 %
Pacific Coast Producers	109,044	3	2.382	43,068	2	1.067
California Physicians Service Corp	58,928	4	1.287			
Cottage Bakery Inc	41,339	5	0.903	25,341	4	0.628
Westcore Vine LP	25,900	6	0.566			
Costco	19,700	7	0.430			
Archer Daniels Midland Co Corp	18,781	8	0.410			
Dart Container Corp	18,672	9	0.408	17,625	8	0.437
Wine & Roses LLC	15,986	10	0.349			
Pacific Coast Producers Corp.				34,267	3	0.849
Kristmont West				21,961	5	0.544
Parinehs Exchange 2004 LLC				19,539	6	0.484
Certainfeed Corp				18,842	7	0.467
Fountains At Lodi LLC				13,031	9	0.323
Panattoni, Carl D ETAL				12,984	10	0.322
Principal Secured Property Valuation	595,215		13.001	358,760		8.889
Other Secured Taxpayers	4,299,876		93.919	3,895,424		96.575
Exemptions relative to secured tax roll	316,830		6.920	220,590		5.464
Total Secured Property Valuation	<u>\$ 4,578,261</u>		<u>100.000 %</u>	<u>\$ 4,033,594</u>		<u>100.000 %</u>

Information for 2005 is not available.

Source: San Joaquin County Assessor's Office

## CITY OF LODI

### PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS (Dollar amounts in thousands)

Fiscal Year	Taxes Levied for the Fiscal Year		Collected Within the Fiscal Year of the Levy		Total Collections to Date	
			Amount	Percent of Levy (1)	Amount	Percent of Levy
2014	\$	8,353	\$ 8,353	100.0%	\$ 8,353	100.0%
2013		7,865	7,865	100.0%	7,865	100.0%
2012		7,754	7,754	100.0%	7,754	100.0%
2011		8,143	8,143	100.0%	8,143	100.0%
2010		8,291	8,291	100.0%	8,291	100.0%
2009		7,966	7,966	100.0%	7,966	100.0%
2008		8,167	8,167	100.0%	8,167	100.0%
2007		8,170	8,170	100.0%	8,170	100.0%
2006		7,815	7,815	100.0%	7,815	100.0%
2005		7,057	7,057	100.0%	7,057	100.0%

1) Per agreement with San Joaquin County, the County provides the City of Lodi with 100% of the amount owed to the City for secured properties, regardless of collection status. In exchange, the County is entitled to 100% of revenues collected for interest and penalties. This agreement is commonly referred to as the Teeter Plan.

Source: San Joaquin County Auditor/Controller's Office

**CITY OF LODI**  
**ELECTRICITY SOLD BY TYPE OF CUSTOMER**  
**LAST NINE FISCAL YEARS**

<b>Type of Customer</b>	<b>Billed Accounts</b>								
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
City Accounts	207	204	195	197	189	189	187	186	184
Contract Large Industrial							5	5	6
Contract Medium Industrial							1	1	2
Contract Small Industrial							1	0	1
Domestic Residential	22,623	22,541	22,361	22,360	22,525	22,506	22,510	22,938	22,860
Domestic Mobile Home Park	13	13	13	13	13	13	13	13	13
Dusk to Dawn	89	88	92	89	89	92	92	95	95
Large Commercial	339	344	336	350	357	377	380	375	359
Large Industrial	39	40	38	40	39	37	32	33	33
Medium Industrial	11	11	9	9	9	8	8	10	13
Residential Low Income	2,788	2,582	2,531	2,258	2,193	1,847	1,943	2,003	1,910
Small Commerical	3,367	3,358	3,340	3,324	3,280	3,249	3,199	3,241	3,279
Small Industrial	8	9	11	11	10	10	9	9	9
Total	<u>29,484</u>	<u>29,190</u>	<u>28,926</u>	<u>28,651</u>	<u>28,704</u>	<u>28,328</u>	<u>28,380</u>	<u>28,909</u>	<u>28,764</u>

Information prior to the implementation of GASB 44 is not available.

Source: City of Lodi Financial Services Division



## CITY OF LODI

### RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS (Dollar amounts in thousands, except per capita)

Fiscal Year	Governmental Activities				Business-type Activities				Percent of Personal Income (1)	Per Capita (1)
	Lease Revenue Bonds	Loan Payable	Notes Payable	Total Governmental Activities	Certificates of Participation and Revenue Bonds	Notes Payable	Total Business-type Activities	Total Primary Government		
2014	\$ 20,004		\$ 245	\$ 20,249	\$ 157,297	\$	\$ 157,297	\$ 177,546	8.45 %	2,789
2013	20,058		245	20,303	167,743		167,743	188,046	9.74	2,993
2012	21,025		245	21,270	173,241		173,241	194,511	10.34	3,096
2011	21,655		245	21,900	178,827		178,827	200,727	10.67	3,213
2010	22,265		245	22,510	144,165	1,409	145,574	168,084	8.49	2,645
2009	22,855		245	23,100	148,529	1,585	150,114	173,214	8.81	2,736
2008	23,420	94	245	23,759	140,640	1,755	142,395	166,154	8.99	2,622
2007	23,975	187	245	24,407	122,128	1,918	124,046	148,453	8.15	2,342
2006	24,510	279	245	25,034	125,863	2,077	127,940	152,974	8.93	2,435
2005	25,030	368	245	25,643	127,215	2,230	129,445	155,088	9.46	2,483

Details regarding the City's outstanding debt can be found in Note 8 of these financial statements.

(1) See Demographic and Economic Statistics table for personal income and population.

Source: City of Lodi Financial Services Division

## CITY OF LODI

### RATIOS OF GENERAL BONDED DEBT OUTSTANDING LAST TEN FISCAL YEARS

(Dollar amounts in thousands, except per capita)

Fiscal Year	Lease Revenue Bonds	Less Amounts Available for Debt Service	Net	Percent of Assessed Value (1) of Property	Per Capita
2014	\$ 20,004	\$ -	\$ 20,004	0.4 %	314.28
2013	20,058	10	20,048	0.4	318.58
2012	21,025	1,692	19,333	0.4	307.73
2011	21,655	1,692	19,963	0.4	319.55
2010	22,265	1,692	20,573	0.4	323.73
2009	22,855	1,692	21,163	0.4	334.26
2008	23,420	1,692	21,728	0.4	342.92
2007	23,975	1,692	22,283	0.4	351.49
2006	24,510	1,692	22,818	0.5	363.25
2005	25,030	1,692	23,338	0.6	373.61

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

(1) Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

Source: City of Lodi Financial Services Division

# CITY OF LODI

## LEGAL DEBT MARGIN INFORMATION LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	FISCAL YEAR									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Assessed valuation (1)	\$ 4,867,731	\$ 4,709,916	\$ 4,718,766	\$ 4,926,130	\$ 4,995,362	\$ 5,227,580	\$ 5,159,269	\$ 4,887,074	\$ 4,325,000	\$ 3,951,862
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	1,216,933	1,177,479	1,179,692	1,231,533	1,248,841	1,306,895	1,289,817	1,221,769	1,081,250	987,966
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt Limit	182,540	176,622	176,954	184,730	187,326	196,034	193,473	183,265	162,188	148,195
Total net debt applicable to limit	<u>20,004</u>	<u>20,048</u>	<u>19,333</u>	<u>19,963</u>	<u>20,573</u>	<u>21,163</u>	<u>21,728</u>	<u>22,283</u>	<u>22,818</u>	<u>23,338</u>
Legal debt margin	<u>\$ 162,536</u>	<u>\$ 156,574</u>	<u>\$ 157,621</u>	<u>\$ 164,767</u>	<u>\$ 166,753</u>	<u>\$ 174,871</u>	<u>\$ 171,745</u>	<u>\$ 160,982</u>	<u>\$ 139,370</u>	<u>\$ 124,857</u>
Total net debt applicable to the limit as a percent of debt limit	11.0%	11.4%	10.9%	10.8%	11.0%	10.8%	11.2%	12.2%	14.1%	15.7%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1982 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computation shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time the legal debt margin was enacted by the State of California for local governments located within the state.

(1) Reflects City assessed valuation with other exemptions of \$261,677 deducted for 2014.

Source: San Joaquin County Auditor-Controller's Office

**CITY OF LODI**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**June 30, 2014**

	Total Debt	Percentage Applicable (1)	City's Share of Debt
<b>OVERLAPPING DEBT:</b>			
San Joaquin Community College District	\$ 153,118,000	8.865 %	\$ 13,573,911
Lodi Unified School District	92,000,000	37.209	34,232,280
San Joaquin County Certificates of Participation	152,425,000	9.821	14,969,659
Lodi Unified School District Certificates of Participation	38,965,000	37.209	14,498,487
<b>SUBTOTAL OVERLAPPING DEBT</b>			<u>77,274,337</u>
<b>DIRECT DEBT:</b>			
City of Lodi Lease Revenue Bonds	20,004,000	100.00	20,004,000
City of Lodi - Note payable	245,000	100.00	245,000
<b>SUBTOTAL DIRECT DEBT</b>			<u>19,325,000</u>
<b>TOTAL DIRECT AND OVERLAPPING DEBT(2)</b>			<u><u>\$ 97,523,337</u></u>

2013-14 Gross Assessed Valuation \$ 5,129,408,000

2013-14 Population 63,651

		Per Capita	Value
<b>DEBT RATIOS</b>	Total Gross Debt	\$ 1,532	1.90%

(1) Percent of overlapping agency's assessed valuation located within the boundaries of the City.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

SOURCE: California Municipal Statistics, San Francisco, CA  
San Joaquin County Auditors-Controller Office  
State of California, Department of Finance, Demographic Research Unit

# CITY OF LODI

## PLEDGED-REVENUE COVERAGE LAST TEN FISCAL YEARS (Dollars amounts in thousands)

Fiscal Year	Adjusted Annual Revenues (1)	Less: Adjusted Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
Electric Revenue Certificates of Participation							
2014	\$ 67,144	\$ 50,349	\$ 16,795	\$ 4,750	\$ 3,606	\$ 8,356	2.01
2013	63,974	51,209	12,765	4,575	3,839	8,414	1.52
2012	65,220	50,164	15,056	3,270	4,021	7,291	2.07
2011	63,307	48,397	14,910	3,080	4,152	7,232	2.06
2010	70,288	49,949	20,339	2,920	4,274	7,194	2.83
2009	75,195	58,370	16,825	5,240	4,720	9,960	1.69
2008	74,923	54,437	20,486	2,305	3,961	6,266	3.27
2007	67,865	52,984	14,881	2,350	3,977	6,327	2.35
2006	61,066	51,131	9,935	-	3,613	3,613	2.75
2005	60,793	44,252	16,541	5,895	3,146	9,041	1.83

## CITY OF LODI

### PLEDGED-REVENUE COVERAGE (continued) LAST TEN FISCAL YEARS (Dollars amounts in thousands)

Fiscal Year	Adjusted Annual Revenues (1)	Less: Adjusted Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage	
				Principal	Interest	Total		
Wastewater Certificates of Participation and Revenue Bonds								
2014	\$ 15,186	\$ 6,003	\$ 9,183	\$ 4,610	\$ 2,294	\$ 6,904	1.33	
2013	14,305	5,674	8,631	1,500	2,560	4,060	2.13	
2012	13,787	6,659	7,128	1,430	2,688	4,118	1.73	
2011	16,508	5,972	10,536	1,370	2,748	4,118	2.56	
2010	12,284	6,180	6,104	1,320	2,832	4,152	1.47	
2009	10,764	5,921	4,843	1,270	2,882	4,152	1.17	
2008	10,530	6,189	4,341	1,355	2,334	3,689	1.18	
2007	9,881	5,287	4,594	1,315	2,017	3,332	1.38	
2006	9,865	4,886	4,979	1,275	2,056	3,331	1.49	
2005	9,232	4,781	4,451	540	2,210	2,750	1.62	

## CITY OF LODI

### PLEDGED-REVENUE COVERAGE (continued) LAST TEN FISCAL YEARS (Dollars amounts in thousands)

Fiscal Year	Adjusted Annual Revenues (1)	Less: Adjusted Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest (3)	Total	
Water Revenue Bonds							
2014	\$ 14,166	\$ 6,835	\$ 7,331	\$ 825	\$ 1,530	\$ 2,355	3.11
2013	13,367	6,899	6,468	800	1,535	2,335	2.77
2012	13,275	5,392	7,883	775	1,530	2,305	3.42
2011	14,051	5,662	8,389	1,409	874	2,283	3.67

Includes all nongeneral obligation long-term debt backed by pledged revenues.

Details regarding the City's outstanding debt can be found in Note 8 of these financial statements.

- (1) Total operating revenues including investment earnings, operating grants, capital contributions and other revenue.
- (2) Total operating expenses including cost of services paid to the General Fund and excluding in-lieu fees, depreciation and amortization.
- (3) Net of Build America Bonds interest subsidy.

**CITY OF LODI**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Square Miles</b>	<b>City Population</b>	<b>Population Percent Change</b>	<b>San Joaquin County Population</b>	<b>Population Percent of County</b>	<b>Rank in Size of California Cities</b>	<b>Personal Income (millions of dollars)</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>
2014	13.92	63,651	0.2%	710,731	9.0%	135	\$ 2,102	33,024	8.8%
2013	13.92	62,930	0.2%	698,414	9.0%	137	1,952	31,013	9.0%
2012	13.92	62,825	0.8%	695,750	9.0%	136	1,931	30,732	11.3%
2011	13.92	62,473	0.6%	690,899	9.0%	135	1,882	30,132	13.4%
2010	13.92	63,549	0.6%	694,293	9.2%	136	1,980	31,166	13.3%
2009	13.92	63,313	-0.1%	689,480	9.2%	135	1,967	31,071	12.2%
2008	13.92	63,362	-0.1%	685,600	9.2%	133	1,849	29,178	7.1%
2007	13.17	63,395	0.9%	679,687	9.3%	129	1,822	28,743	6.1%
2006	12.81	62,817	0.6%	668,265	9.4%	131	1,713	27,272	5.5%
2005	12.81	62,467	2.8%	653,333	9.6%	131	1,639	26,239	5.9%

Personal income is the income received by all persons from all sources. Personal income is the sum of net earnings by place of residence, rental income of persons, personal dividend income, personal interest income, and personal current transfer receipts.

Per capita personal income is calculated as the personal income of residents of a given area divided by the resident population of the area. In computing per capita personal income, Bureau of Economic analysis uses the Census Bureau's annual midyear population estimates.

Source: State of California, Department of Finance, Demographic Research Unit and Department of Labor.



## CITY OF LODI

### PRINCIPAL EMPLOYERS CURRENT YEAR AND NINE YEARS AGO

<u>Employer</u>	Current			Nine Years Ago			
	<u>Employees</u>	<u>Rank</u>	Percent of Total City <u>Employment</u>	<u>Employees</u>	<u>Rank</u>	Percent of Total City <u>Employment</u>	
Lodi Unified School District	3,060	1	11.71 %	2,800	1	10.72 %	
Lodi Memorial Hospital	1,330	2	5.09	1,160	2	4.44	
Pacific Coast Producers	1,000	3	3.83	747	3	2.86	
Blue Shield	780	4	2.98				
Cottage Bakery	458	5	1.75				
General Mills	430	6	1.65	457	4	1.75	
City of Lodi	382	7	1.46	429	5	1.64	
Walmart	240	8	0.92	317	6	1.21	
Farmers & Merchants Bank	187	9	0.72	314	7	1.20	
Target	165	10	0.63	186	9	0.71	
Valley Industries				295	8	1.13	
CertainTeed				99	10	0.38	
Total	<u>8,032</u>		<u>30.74</u>	<u>6,804</u>		<u>26.04</u>	

## CITY OF LODI

### FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY DEPARTMENT LAST TEN FISCAL YEARS

	Fiscal Year									
	2014	2013	2012	2011*	2010	2009	2008	2007	2006	2005
<b>Department:</b>										
Administration	10	10	12	13	31	32	19	35	33	37
Community Development	9	9	9	13	13	13	14	18	17	17
Electric	43	40	40	41	51	50	48	64	65	52
Financial Services					24	26	39	30	28	38
Fire	53	53	54	64	64	64	64	64	61	68
Internal Services	31	31	29	35						
Library	10	11	12	14	14	14	14	16	14	15
Parks and Recreation					31	31	30	34	31	34
Parks, Recreation and Cultural Services	27	27	29	37						
Police	104	104	103	125	125	125	125	116	117	117
Public Works	95	92	93	98	102	102	107	114	99	111
<b>Total</b>	<b>382</b>	<b>377</b>	<b>381</b>	<b>440</b>	<b>455</b>	<b>457</b>	<b>460</b>	<b>491</b>	<b>465</b>	<b>489</b>

\* Community Center, Human Resources and Information Systems were previously included in Administration. Budget, Financial Services, Human Resources and Information Services are now Internal Services. Community Center, Parks & Recreation are now Parks, Recreation and Cultural Services.

Source: City of Lodi Budget Document

CITY OF LODI  
OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT  
LAST NINE FISCAL YEARS

	Fiscal Year								
	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government:									
Building permits issued	1,791	1,578	1,461	2,022	1,709	1,754	1,851	2,317	2,699
Business tax certificates:									
Retail sales and service	2,633	2,526	2,485	2,530	2,406	2,496	2,442	2,632	2,565
Manufacturers and processors	80	78	77	76	80	82	78	78	125
Professions	362	362	364	371	373	380	398	404	322
Miscellaneous contractors, peddlers, delivery vehicles, etc.	1,595	1,456	1,362	1,357	1,312	1,411	1,063	1,127	533
Utility billing/customer service:									
Number of customers	25,733	23,927	23,761	23,575	25,573	25,555	25,555	25,712	25,655
Energy sales (KWH)	437,294,133	435,822,465	435,655,731	421,130,329	434,200,987	452,075,554	450,407,709	458,740,745	459,637,092
Peak demand (MW)	126	122	116	116	120	134	134	144	127
Public safety:									
Police:									
Major reported crimes	2,519	2,643	3,573	2,885	2,377	2,454	2,993	3,096	3,234
Total arrests	3,656	3,825	4,350	4,410	4,238	4,646	5,590	5,463	5,162
Dispatched calls for service	35,281	50,124	46,756	52,061	51,870	56,391	55,911	53,686	55,937
Fire:									
Interior structure fire calls	33	67	57	56	47	69	88	79	66
Non-structural fire calls	1,923	209	163	121	123	123	160	163	158
Hazardous materials calls	53	58	41	69	70	70	35	27	26
Emergency medical calls	3,848	3,882	3,820	3,752	3,494	3,364	3,420	3,213	2,912
Total emergency calls	4,144	5,823	5,620	5,753	5,385	5,392	5,346	5,000	4,447
Total number of units dispatched	7,845	7,954	7,855	7,835	7,390	7,038	7,841	7,005	6,055
Public works:									
Miles of streets resurfaced	6	6	6	6	3	6	5	4	33
Fleet job orders completed	2,004	1,803	1,953	2,810	3,303	3,921	3,520	6,938	5,608
Trees planted	131	131				96	130	95	-
Water utility:									
New connections	8	8	7	8	17	17	35	110	266
Water main breaks	14	14	10	8	6	4	4	10	8
Wastewater utility:									
Average daily treatment (million gal/day)	5.0MG	5.10MG	6.5MG	6.5MG	6.5MG	6.5MG	6.5MG	6.9MG	6.7MG
Library:									
Registered borrowers	55,835	51,594	47,147	43,927	39,199	53,530	48,969	44,558	52,779
Circulation of library materials	225,476	215,293	217,742	248,250	251,967	219,711	280,466	273,270	281,216
Reference, research and informational questions answered	16,750	16,270	14,463	16,234	16,501	15,379	19,257	18,854	17,342
Annual attendance at libraries	209,929	224,762	222,148	210,279	207,123	n/a	296,793	288,070	287,986
Number of programs offered	284	407	432	388	344	316	348	339	320
Annual attendance at programs	10,824	14,443	12,993	13,133	10,676	8,765	11,242	10,700	10,872
Public access computer usage	47,126	45,871	47,428	58,990	52,124	38,388	38,999	35,260	29,896

(Continued)

CITY OF LODI  
OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT (continued)  
LAST NINE FISCAL YEARS

	Fiscal Year								
	2014	2013	2012	2011	2010	2009	2008	2007	2006
Community center:									
Community center bookings	769	718	698	926	789	475	494	302	220
Instructional classes	553	580	307	536	583	507	530	478	509
Registered students	3,269	2,819	3,713	3,438	3,525	3,316	5,550	3,548	4,369
Yearly attendance	13,925	13,925	13,925	14,217	13,355	14,050	14,410	14,429	15,369
Parks and recreation:									
After school program registration (number of participants/sites)	254,096/20	1,715/20	3,232/20	1,920/4	1,920/4	1,920/4	3,014/4	145,000/12	135,000/12
Adult sports									
Program/Participation	2,082	2,246	2,420	2,528	2,528	2,284	28,000	36,000	36,000
Programs offered	17	16	15	16	16	13	11	11	11
Partnerships	2	2	3	5	5	1	3	3	5
Tournaments	5	6	12	7	7	10	10	20	20
Youth/Teen sports									
Program attendance	3,672	3,643	3,889	4,251	4,251	215,000	195,000	200,000	200,000
Programs offered	18	19	24	16	16	24	14	14	20
Aquatics									
Program attendance	27,731	23,414	34,366	32,566	32,566	2,433	50,000	59,000	59,000
Number of programs	13	13	25	13	13	6	3	8	6

Note: The City of Lodi implemented GASB 44 for the fiscal year ended June 30, 2006.  
Information prior to the implementation of GASB 44 is not available.

Source: City of Lodi

# CITY OF LODI

## CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT LAST TEN FISCAL YEARS

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General government:										
Total square miles	13.92	13.92	13.92	13.92	13.92	13.92	13.92	13.17	12.81	12.81
Public safety:										
Police:										
Facilities:										
Stations	1	1	1	1	1	1	1	1	1	1
Animal control facility	1	1	1	1	1	1	1	1	1	1
Police training facility (pistol range)	1	1	1	1	1	1	1	1	1	1
Vehicles:										
Marked patrol cars	23	23	23	23	23	25	25	25	28	28
Motorcycles and scooters	5	5	5	5	5	5	5	5	4	1
Animal control vehicles	2	2	2	2	2	2	2	2	3	3
Other automobiles	37	37	37	37	37	38	40	41	41	41
Fire:										
Facilities:										
Fire stations	4	4	4	4	4	4	4	4	4	4
Vehicles:										
Fire engines	6	6	6	7	7	7	6	6	5	5
Trucks/Trailers	6	6	5	5	6	6	9	8	7	7
Other automobiles	11	11	9	8	10	12	7	10	11	11
Public works:										
Miles of streets	202	202	202	202	202	202	200	184	198	100
Miles of alley ways	16	16	16	16	16	16	16	16	16	14
Traffic signals	67	67	67	67	62	62	64	66	64	60
Street lights	7,270	7,270	7,270	7,270	7,270	7,270	7,270	7,270	7,203	6,995

(Continued)

# CITY OF LODI

## CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT AND FISCAL YEAR LAST TEN FISCAL YEARS

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Parks and recreation:										
Parks and squares	26	26	26	26	26	26	23	23	23	23
Park acreage	361	361	373	373	373	371	275	275	275	275
Boating facilities - launch lanes	1	1	1	1	1	1	1	1	1	1
Senior center	1	1	1	1	1	1	1	1	1	1
Community Centers	1	1	1	1	1	1	1	1	1	1
Swimming pools	4	4	4	4	4	4	3	3	3	3
Baseball/softball diamonds	20	20	24	24	24	24	26	26	26	26
Tennis courts	11	11	11	11	11	11	11	11	11	11
Skateboard park	1	1	1	1	1	1	1	1	1	1
Playgrounds	20	20	22	25	25	25	22	22	22	22
Ballpark	24	24	24	24	24	24	26	26	26	26
Soccer Field	22	22	22	22	22	22	22	22	22	22
Football Field	1	1	1	1	1	1	3	3	3	3
Handball/Basketball/Volleyball Courts/Bocce Courts	12	12	10	10	10	10	8	8	8	8
Horseshoe Pits	8	8	8	6	6	6	7	10	10	10
Library:										
Central library	1	1	1	1	1	1	1	1	1	1
Total items in collection	148,287	149,243	135,113	134,804	130,530	135,197	142,885	142,098	134,129	137,673
Integrated library system	1	1	1	1	1	1	1	1	1	1
Microfilm readers	1	1	1	1	1	1	1	1	1	1
Microfilm readers/printers	1	1	1	1	1	1	1	1	1	1
Self check out machines	2	2	2	2	2	2	0	1	1	1
Electric utility:										
Overhead lines 12kv (miles)	117	133	133	133	130	130	130	129	129	129
Overhead lines 60kv (miles)	14	14	14	13	13	13	13	13	13	13
Underground lines (miles)	115	159	159	157	155	154	153	151	151	151

(Continued)

# CITY OF LODI

## CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT-continued LAST TEN FISCAL YEARS

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Water utility:										
Water main lines	236	236	236	236	237	233	233	238	235	230
Water storage capacity (gallons)	4,100,000	4,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Water wells	28	28	27	27	26	26	26	26	26	25
Water reservoirs	3	3	2	2	2	2	2	2	2	2
Wastewater utility:										
Wastewater main lines (miles)	196	196	196	196	191	194	194	189	182	182
Treatment capacity	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG
Wastewater treatment plant	1	1	1	1	1	1	1	1	1	1
Stormwater utility:										
Stormwater main drain lines (miles)	124	124	124	124	124	161	119	161	115	114
Stormwater pump stations	14	14	14	14	14	14	14	14	13	14
Central parking district:										
Parking structure	1	1	1	1	1	1	1	1	1	1
Parking spaces	2,450	2,453	2,453	2,453	2,453	2,453	2,453	2,453	2,453	2,453
Parking lots	25	25	25	25	25	25	25	25	25	25

Source: City of Lodi Departments

## SINGLE AUDIT REPORTS

---



**CITY OF LODI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<b>Federal Grantor</b>			
Pass-through Grantor or Direct	CFDA	Grant/Project	Federal
Federal Program Title	Number	Number	Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
Direct:			
Community Development Block Grants/Entitlement Grants - 2011-12 Program Year	14.218	B-11-MC-06-0038	\$ 3,600
Community Development Block Grants/Entitlement Grants - 2012-13 Program Year	14.218	B-12-MC-06-0038	463,717
Community Development Block Grants/Entitlement Grants - 2013-14 Program Year	14.218	B-13-MC-06-0038	325,433
Total Community Development Block Grants/Entitlement Grants			792,750
Passed through California State University of Fresno:			
Sustainable Communities Regional Planning Grant Program	14.703	CARIP0004-10	22,725
Total U.S. Department of Housing and Urban Development			815,475
<b>U.S. Department of Justice</b>			
Direct:			
ARRA - Public Safety Partnership and Community Policing Grants	16.710	2009-RK-WX-0151	194,984
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0941	11,900
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2703	22,655
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0876	19,483
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0877	8,957
Total Edward Byrne Memorial Justice Assistance Grant Program			62,995
Total U.S. Department of Justice			\$ 257,979

See accompanying notes to the schedule of expenditures of federal awards.

**CITY OF LODI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<b>Federal Grantor</b>			
Pass-through Grantor or Direct	CFDA	Grant/Project	Federal
Federal Program Title	Number	Number	Expenditures
<b>U.S. Department of Transportation</b>			
Direct:			
Federal Transit - Formula Grants	20.507	CA-90-Z171-00	\$ 1,220,000
Federal Transit - Formula Grants	20.507	CA-90-Y736-00	48,819
Federal Transit - Formula Grants	20.507	CA-90-Z094-00	57,660
ARRA - Federal Transit - Formula Grants	20.507	CA-96-X052-01	102,879
Total Federal Transit - Formula Grants			<u>1,429,358</u>
Passed through California Department of Transportation:			
Highway Planning and Construction	20.205	STPL-5154(040)	653,943
Highway Planning and Construction	20.205	RPSTPLE-5154(044)	1,107,819
Total Highway Planning and Construction			<u>1,761,762</u>
Passed through State of California Office of Traffic Safety			
State and Community Highway Safety	20.600	PT1462	28,089
State and Community Highway Safety	20.600	PT1357	1,449
Passed through University of California, Berkeley:			
State and Community Highway Safety	20.600	SC14230	60,999
Total State and Community Highway Safety			<u>90,537</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1357	31,742
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1462	24,093
Passed through University of California, Berkeley:			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	SC11230	17,296
Passed through City of Stockton:			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	AL1160	11,457
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>84,588</u>
Total U.S. Department of Transportation			<u>3,366,245</u>
Total Federal Expenditures			<u>\$ 4,439,699</u>

See accompanying notes to the schedule of expenditures of federal awards.

**CITY OF LODI**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 1 – GENERAL**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) for the year ended June 30, 2014, presents the activity of all federal award programs of the City of Lodi, California (City). The City reporting entity is defined in Note 1 of the City's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included in the SEFA.

**NOTE 2 – BASIS OF ACCOUNTING**

The accompanying SEFA is presented using the modified accrual basis of accounting for grants accounted for in governmental fund types and the full accrual basis of accounting for grants accounted for in proprietary fund types, as described in Note 1 of the City's basic financial statements.

**NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA)**

The CFDA numbers included in the accompanying SEFA were determined based on the program name, review of grant contract information and Office of Management and Budget's Catalog of Federal Domestic Assistance.

**NOTE 4 – SUBRECIPIENTS**

Of the federal expenditures presented in the SEFA, the City provided federal awards to subrecipients as follows:

<u>Federal Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grants/ Entitlement Grants	14.218	\$181,674

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Honorable Members of City Council  
City of Lodi, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lodi, California (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 23, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 and 2014-002 that we consider to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **City's Response to Findings**

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of the Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Sacramento, California  
December 23, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

The Honorable Members of City Council  
City of Lodi, California

**Report on Compliance for Each Major Federal Program**

We have audited the City of Lodi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in dark ink, reading "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Sacramento, California  
December 23, 2014

**CITY OF LODI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

---

**Section I – Summary of Auditor’s Results**

---

*Financial Statements:*

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- |  |     |
|--|-----|
| ▪ Material weaknesses identified?  | No  |
| ▪ Significant deficiencies identified that are not considered to be material weaknesses? | Yes |

Noncompliance material to financial statements noted?	No
---	----

*Federal Awards:*

Internal control over major federal programs:

- |  |               |
|--|---------------|
| ▪ Material weaknesses identified?  | No            |
| ▪ Significant deficiencies identified that are not considered to be material weaknesses? | None reported |

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No
--	----



**CITY OF LODI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Identification of major federal programs:

<u>Federal Program Title</u>	<u>CFDA No.</u>
Community Development Block Grants/Entitlement Grants	14.218
Highway Planning and Construction	20.205
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

---

**Section II – Financial Statement Findings**

---

**Reference Number:**                **2014-001**

**Criteria:**

Under generally accepted accounting principles, internal service funds are expressly designed to function as *cost-reimbursement devices*. That is, an internal service fund is simply a means of accumulating costs related to a given activity on an accrual basis so that the costs can subsequently be allocated to the benefitting funds in the form of fees and charges.

**Condition:**

The City is not charging City funds their share of the City's Other Postemployment Benefits (OPEB) costs accumulating in its Benefits Internal Service Fund.

**Context:**

The Benefits Internal Service Fund's deficit net position balances were \$1,078,724, \$1,930,874, \$2,934,664, \$3,621,665, \$3,203,516, and \$3,568,267 as of June 30, 2009, 2010, 2011, 2012, 2013, and 2014, respectively.

**Effect:**

This condition resulted in an increase of \$364,751 in the deficit net position of the Benefits Internal Service Fund during the year ended June 30, 2014.

**Cause:**

The City is only charging City funds their share of the City's OPEB costs that it has chosen to pay under a pay-as-you-go basis.

**Recommendation:**

Under generally accepted accounting principles, the City needs to charge City funds their share of the OPEB costs incurred in its Benefits Internal Service Fund as opposed to limiting the charges to those costs actually paid.

**CITY OF LODI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Management Response and Corrective Action:**

The City's practice of reflecting the total liability and expense of the OPEB program in the Benefits Internal Service Fund enhances transparency in reporting by showing the impact of this reporting requirement in one location. The deficit net position will continue until the City fully funds the actuarially calculated liability and expense that it is required to record. Staff will bring forward the deficit amount each budget cycle for City Council consideration.

**Reference Number:**                      **2014-002**

**Criteria:**

Under generally accepted accounting principles, costs directly related to the acquisition or construction of capital assets, should be capitalized and not expensed. The City defines capital assets as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of two years.

**Condition:**

Transactions relating to the City's water meter capital asset project were expensed.

**Cause:**

The condition is a result of the timing of the City's year-end close process. The City runs a capital report identifying the City's capital asset activity and reconciles the activity to general ledger activity to ensure all costs were captured. However, costs relating to a capital project were accrued and reported in the general ledger subsequent to the previously mentioned reconciliation, thus project costs were improperly reported as an expense and not capitalized.

**Effect:**

As a result of this condition, a significant audit adjustment for the Water Fund debiting "capital assets" on the Statement of Net Position and crediting "services and supplies" expense on the Statement of Revenues, Expenses and Changes in Net Position for \$1,499,302 was recorded.

**Recommendation:**

The City should improve its year-end procedures for identifying capital projects to ensure proper financial reporting.

**Management Response and Corrective Action:**

The City is currently transitioning to a new financial system which includes capital assets and project management modules. These two modules will not only streamline the year-end capitalization process, it will also ensure proper financial reporting of the City's capital assets.

---

**Section III – Federal Award Findings and Questioned Costs**

---

None

**CITY OF LODI**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Financial Statement Findings**

**Reference Number:** 2013-1

**Criteria:**

Pursuant to Subpart C, section .300(d) of Office of Management and Budget (OMB) Circular A-133, *Audits, of States, Local Governments, and Non-Profit Organizations*, the auditee shall prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with section .310." Per Section 310(b)(3), "the schedule of expenditures of federal awards shall provide total Federal awards expended for each individual Federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available."

**Condition:**

The expenditures for the Public Safety Partnership and Community Policing Grants were not properly reported on the first draft of the schedule of expenditures of federal award (SEFA). The City had included the matching expenditures as federal expenditures, thus overstating the federal expenditures by \$238,922.

**Questioned Costs:**

There are no questioned costs.

**Effect:**

The City inaccurately prepared the SEFA by overstating federal expenditures, which required an audit adjustment to correct. In addition, the City exposed itself to the risk of an incorrect assessment of major programs.

**Cause:**

It appears that there was no formal review of federal expenditures reported on the SEFA.

**Recommendation:**

It is recommend that the City develop written policies and procedures that document the process for measuring and reporting federal expenditures as it pertains to the SEFA and Federal Audit Clearinghouse Data Collection Form (SF-SAC) pursuant to the requirements of OMB Circular A-133. The new policies and procedures should provide staff with the proper guidelines on the reporting requirements and provide a framework for ensuring consistency and continuity in the identification and reporting of federal expenditures.

**Management Response and Corrective Action:**

Staff will develop written policies and procedures as recommended. The City is also in the process of implementing a new ERP system that has a specialized grant and project accounting system that will ensure proper reporting and tracking of all the grants received by the City.

**Status:**

The City's established policies and procedures to ensure an accurate SEFA is prepared. This recommendation is deemed to be implemented.

**(This page intentionally left blank.)**

# CONTINUING DISCLOSURES

---

## UNAUDITED

### **CONTINUING DISCLOSURE REQUIREMENTS FOR THE CITY OF LODI, THE LODI PUBLIC IMPROVEMENT CORPORATION AND THE LODI PUBLIC FINANCING AUTHORITY Fiscal Year 2013-14**

The City of Lodi has executed Continuing Disclosure Certificates associated with the various debt issues outstanding by the Electric Utility, Wastewater Utility, the Lodi Public Improvement Corporation and the Lodi Public Financing Authority. These Certificates were executed to satisfy provisions of Securities and Exchange Commission Rule 15c2-12(b) (5). The material provided herein applies to the various debt issues as noted. Data for each utility is shown separately.

This Bond Disclosure Section included within the City's Comprehensive Annual Financial Report (CAFR) provides the information required by the Continuing Disclosure Certificates. The CAFR, in turn, will be filed with the Municipal Securities Rulemaking Board. The CAFR may also be found on the City's website at [www.lodi.gov](http://www.lodi.gov).

## **ANNUAL REPORT FOR ELECTRIC UTILITY**

The Lodi Electric Utility has Continuing Disclosure requirements associated with its 2008 Series A Certificates of Participation, and 2002 Taxable Series D Certificates of Participation. The annual report includes, by reference, the audited financial statement of the City of Lodi (including the Electric Utility).

The annual report also contains the following five (5) tables as required in the Certificates:

1. A table setting forth the City's power supply resources for the most recently completed fiscal year.
2. A table showing the average number of customers, sales, revenues and demand for the past five fiscal years.
3. A table showing the outstanding debt of joint powers agencies in which Lodi participates and the City of Lodi share of that debt for the most recent fiscal year.
4. A table showing a summary of Operating Results for the past five fiscal years.
5. A table showing Lodi Electric Utility Department Rate Changes since November 1996 (applicable only to the 2002 Series C and D issues).

### **Reporting of Significant Events**

The Certificates identify eleven (11) specific events that require special reporting. As of June 30, 2014, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending Significant Event that would require disclosure under the provisions of the Certificates.

**Table 1 A table setting forth the City's power supply resources.**

**CITY OF LODI  
ELECTRIC UTILITY DEPARTMENT  
POWER SUPPLY RESOURCES**

Source	Capacity Available (MW) <sup>(1)(4)</sup>	Actual Energy (MWh)	% of Total Energy
Purchased Power <sup>(2)</sup> :			
Western	4.7	11,240	2.28%
NCPA			
Geothermal Project	13.3	86,893	17.64
Hydroelectric Project	26.2	20,753	4.21
Combustion Turbine Project No. 1	9.4	196	0.04
Capital Facilities, Unit One	19.6	1,527	0.31
Lodi Energy Center <sup>(6)</sup>	26.6	117,954	23.95
Contracts, Exchanges and Bilaterals <sup>(3)</sup>	70.0	254,006	51.57
Total	169.8	492,569 <sup>(4)(5)</sup>	100.00%
Total Capacity and Energy Sold at Wholesale	N/A	40,916	
City System Requirement for Retail Load	143.2	451,653	

(1) Non-coincident capacity available.

(2) Entitlements, firm allocations and contract amounts.

(3) Includes participation in NCPA/Seattle City Light exchange.

(4) Units at Backbone Output.

(5) Includes supply from exchanges and line losses.

(6) Lodi Energy Center commenced commercial operation on November 27, 2012.

**Table 2 A table showing the average number of customers, sales, revenues and demand for the past five fiscal years.**

**CITY OF LODI  
ELECTRIC UTILITY DEPARTMENT  
CUSTOMER SALES, REVENUE AND DEMAND**

	Fiscal Years Ended June 30,				
	2010	2011	2012	2013	2014
Number of Customers:					
Residential	21,981	22,251	22,244	22,369	22,547
Commercial	3,163	2,865	2,834	2,902	2,898
Industrial	31	39	37	39	38
Other	194	229	235	246	250
Total Customers	25,369	25,384	25,350	25,556	25,733
Kilowatt-Hour (kWh) Sales:					
Residential	150,811,587	144,256,683	149,814,375	151,814,834	148,762,783
Commercial	146,644,990	137,584,723	138,735,487	140,733,500	146,176,148
Industrial	125,000,860	128,072,575	135,620,441	131,473,405	130,333,102
Other	11,563,550	11,216,348	11,485,428	11,800,726	12,022,160
Total kWh sales	434,020,987	421,130,329	435,655,731	435,822,465	437,294,193
Revenues from Sale of Energy:					
Residential	\$ 27,642,200	\$ 24,513,202	\$ 25,606,368	\$ 25,377,978	\$ 25,270,075
Commercial	24,901,257	21,870,624	21,814,073	21,816,149	23,127,603
Industrial	15,015,036	13,914,539	14,876,828	14,173,951	14,381,296
Other	2,105,196	1,868,985	1,954,099	1,861,567	1,913,833
Total Revenues from Sale of Energy:	\$ 69,663,689	\$ 62,167,350	\$ 64,251,368	\$ 63,229,645	\$ 64,692,808
Peak Demand (MW)	119.6	123.9	116.0	123.3	128.7

Excludes revenues from California Energy Commission Tax.

Sources: City of Lodi, audited annual financial statements and Customer Information System reports.



**Table 3** A table showing the outstanding debt of joint powers agencies in which Lodi participates.

<b>CITY OF LODI ELECTRIC UTILITY DEPARTMENT OUTSTANDING DEBT OF JOINT POWERS AGENCIES (Dollar Amounts in Millions)</b>			
	<b>Outstanding Debt<sup>(1)</sup></b>	<b>Lodi's Participation<sup>(2)</sup></b>	<b>Lodi's Share of Outstanding Debt</b>
<b>NCPA</b>			
Geothermal Project Three	\$ 41.5	10.28%	\$ 4.3
Hydroelectric Project	416.9	10.37	43.2
Capital Facilities Project Unit One	49.5	39.50	19.5
Lodi Energy Center Project	247.5	17.03	42.1
<b>TANC</b>			
COTP	314.2	1.92 <sup>(3)</sup>	6.0
<b>TOTAL *</b>	<b>\$ 1,069.6</b>	<b>10.48%</b>	<b>\$ 112.1</b>

\* Columns may not add to totals due to independent rounding.

- (1) Principal only. Does not include obligation for payment of interest on such debt.
- (2) Participation obligation is subject to increase upon default of another project participant. Such increase shall not exceed, without the written Consent of a non-defaulting participant, an accumulated maximum of 25% of such non-defaulting participant's original participation.
- (3) Lodi's actual payment obligation differs slightly from this percentage due to varying shares of certain series of TANC bonds relating to each TANC member-participant's taxable portion and each TANC member-participant's participation or non-participation in acquisition of assets from Vernon. Effective July 1, 2014, Lodi has entered into a layoff of its COTP interest which will effectively reduce Lodi's share of outstanding debt to \$0. Lodi remains contractually obligated for its share.

Source: Northern California Power Agency.

**Table 4** A table showing a summary of operating results for the past five fiscal years.

**CITY OF LODI  
ELECTRIC SYSTEM  
SUMMARY OF OPERATING RESULTS <sup>(1)</sup>  
Ending Fiscal Year June 30 (Dollars in 000s)**

	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014
<b>Operating Revenues</b>					
Rate Revenue	\$ 62,613	\$ 59,676	\$ 61,658	\$ 61,888	\$ 61,837
ECA Revenue	7,050	2,491	2,593	1,341	2,856
Other Revenue	625	1,140	969	745	2,451
Total Operating Revenue	70,288	63,307	65,220	63,974	67,144
<b>Operating Expenses</b>					
Purchased Power	37,943	35,282	39,416	39,191	37,303
Non-Power Costs <sup>(2)</sup>	12,006	13,115	10,748	12,018	13,046
Total Operating Expenses	49,949	48,397	50,164	51,209	50,349
<b>Net Revenue Available for Debt Service</b>	20,339	14,910	15,056	12,765	16,795
<b>Parity Debt Service</b>					
2002 C & D, 2008 A Bonds	7,194	7,232	7,291	8,414	8,356
Total Net Debt Service	7,194	7,232	7,291	8,414	8,356
<b>Debt Service Coverage</b>	2.83	2.06	2.07	1.52	2.01
Remaining Revenue Available for Other Purposes	13,145	7,678	7,765	4,351	8,439
<b>Non-Operating Revenue/Expenses</b>					
Greenhouse gas allowance				2,018	453
In-Lieu Transfer to General Fund	(6,977)	(6,977)	(6,977)	(6,977)	(6,977)
Net Cash Flow Before Capital Expenditures	6,168	701	788	(608)	1,915
Beginning Operating Reserve	13,854	25,899	28,455	30,384	31,082
Changes in GOR	5,877	1,854	1,141	1,306	942
Net Deposit/Withdrawal from Reserves	6,168	701	788	(608)	1,915
Ending Operating Reserve	\$ 25,899	\$ 28,454	\$ 30,384	\$ 31,082	\$ 33,939

Source: City of Lodi

(1) As defined in the Installment Purchase Contract, this may or may not be on the same basis as Generally Accepted Accounting Principles.

(2) Non-power costs include cost of services provided by other departments and does not include depreciation and amortization expense.

**Table 5 A table showing Lodi Electric Utility Department Rate Changes since November 1996.**

**CITY OF LODI  
ELECTRIC UTILITY DEPARTMENT  
RATE CHANGES**

Effective Date	Percent Change
July 2013	Established Electric Vehicle and Industrial Equipment Charging Rates
April 2009	Established Economic Development Rates updated July 2013
December 2007	Established Solar Initiative Surcharge of \$0.00125 per kilowatt-hour
August 2007	Implemented monthly Energy Cost Adjustment
December 2005	Average 17% increase across all rate classes
December 2002	4.5% average rate increase
August 2001	Increased MCA for all but contract customers: 10% to 12% rate change
June 2001	Implemented MCA for residential and small commercial: 8% to 10% rate change
December 1998	5.00% rate decrease for small commercial/industrial customers
May 1998	2.50% general rate increase to fund public benefit programs
September 1997	4.5 to 5.5 cents per kilowatt-hour, non-demand, non-time-use, contract rate available for new large commercial/industrial loads
December 1996	10% to 40% economic development discount on new small to medium commercial/industrial electric loads
November 1996	Economic Stimulus Rate Credit increased to 1.262 cents per kilowatt-hour from 0.4 cents per kilowatt-hour for largest primary service customers (estimated 19% reduction)

Source: City of Lodi.

## **ANNUAL REPORT FOR WASTEWATER UTILITY**

The Lodi Wastewater Utility has Continuing Disclosure requirements associated with its 2004 Series A Certificates of Participation, 2007 Series A Certificates of Participation and the 2012 Refunding Wastewater Revenue Bonds. The annual report includes, by reference, the audited financial statement of the City of Lodi (including the Wastewater Utility).

The annual report also contains the following five (5) tables as required in the Certificates:

1. A table setting forth the City's number of connections by user type for the past five fiscal years.
2. A table showing the proportion of service charge revenue by class of user for the most recent fiscal year (applicable only to the 2004 Series A issue).
3. A table showing the largest users by service charge revenues for the most recent fiscal year.
4. A table showing a schedule of service charges.
5. A table showing a summary of historic operating results and debt service coverage for the past five fiscal years.

Additionally, the Certificate for the 2007 Series A issue requires a description of any additional indebtedness incurred during the prior fiscal year which is payable from the system net revenues on a parity with the installment payments.

### **Reporting of Significant Events**

The Certificates identify eleven (11) specific events that require special reporting. As of June 30, 2014, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending Significant Event that would require disclosure under the provisions of the Certificates.

**Table 1** A table setting forth the City's number of connections by user type for the past five fiscal years.

<b>City of Lodi Wastewater System Number of Connections by User Type as of June 30 and Percentage of Fiscal Year 2013-14 Service Charge Revenue by User Type</b>						
<b>User Type</b>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>% of FY 13/14 Service Charge Revenue</u>
Residential	21,974	21,956	21,864	21,959	22,076	76%
Commercial/Industrial	<u>1,768</u>	<u>1,785</u>	<u>1,819</u>	<u>1,851</u>	<u>1,851</u>	<u>24%</u>
Total All Users	<u><u>23,742</u></u>	<u><u>23,741</u></u>	<u><u>23,683</u></u>	<u><u>23,810</u></u>	<u><u>23,927</u></u>	<u><u>100%</u></u>

Source: City of Lodi

**Table 2** A table showing the proportion of service charge revenue by class of user for the most recent fiscal year.

**City of Lodi  
Wastewater System  
Proportion of Service Charge Revenues by Class of User  
Fiscal Year 2013-14**

User Type	Percentage of Total Annual Service Charge Revenue
Single Family Residential	60%
Multiple Family Residential	16%
Commercial/Industrial	24%
Total	100%

Source: City of Lodi

**Table 3** A table showing the largest users by service charge revenue for the most recent fiscal year.

<p style="text-align: center;"><b>City of Lodi</b>  <b>Wastewater System</b>  <b>Largest Users by Service Charge Revenues</b>  <b>Fiscal Year 2013-14</b></p>			
<u><b>User</b></u>	<u><b>Type of Business</b></u>	<u><b>Service Charge Revenue</b></u>	<u><b>Percentage of Total Annual Service Charge Revenue</b></u>
Cottage Bakery	Specialty bakery, frozen dough	\$ 520,249	3.64%
Lodi Unified School District	K-12, adult education	308,227	2.15
General Mills	Cereals, bread mixes, snack foods	269,177	1.88
City of Lodi	Government	65,439	.46
Miller Packing Company	Hot dog producer	44,076	.31
Lodi Memorial Hospital	Health Care	41,123	.29
Blue shield of California	Health Insurance	38,217	.27
Archer Daniels Midland	Agricultural processor	30,744	.21
Pacific Coast Producers	Private label fruit canning	29,496	.20
Del Castillo Foods	Tortilla producer	20,882	.15
<b>Total top ten users</b>		\$ 1,367,630	9.56%
<b>Total System</b>		\$ <b>14,305,093</b>	<b>100.00%</b>

**Table 4 A table showing the schedule of service charges.**

**City of Lodi  
Wastewater System  
Schedule of Wastewater Service Charges**

	<u>Service Charge</u> <u>(effective July</u> <u>1, 2010)</u>	<u>Service Charge</u> <u>(effective July</u> <u>1, 2011)</u>	<u>Service</u> <u>Charge</u> <u>(effective July</u> <u>1, 2012)</u>	<u>Service</u> <u>Charge</u> <u>(effective July</u> <u>1, 2013)</u>
<b>For Residential Users (per month):</b>				
1 Bedroom.....	\$23.30	\$24.47	\$25.20	\$25.83
2 Bedrooms.....	31.07	32.62	33.60	34.44
3 Bedrooms.....	38.84	40.78	42.00	43.05
4 Bedrooms.....	46.61	48.93	50.40	51.66
5 Bedrooms.....	54.37	57.09	58.80	60.27
6 Bedrooms.....	62.14	65.24	67.20	68.88
7 Bedrooms.....	69.91	73.40	75.60	77.49
<b>For Commercial/Industrial Users:</b>				
Moderate Strength (annual per Sewage Service Unit (SSU)).....	\$372.84	\$391.44	\$403.20	\$413.28
High Strength:				
Flow (annual per MG).....	3,145.95	3,303.25	3,402.35	3,487.41
BOD (annual per 1,000 lbs.).....	519.16	545.12	561.47	575.51
SS (annual per 1,000 lbs.).....	324.61	340.84	351.07	359.85
Grease Interceptor/Septic Holding Tank Waste within City Limits (per 1,000 gal.).....	274.89	288.63	297.29	304.72
Septic Holding Tank Waste Outside City Limits (per 1,000 gal.).....	583.55	612.73	631.11	646.89
Disposal to Storm Drain System (per MG).....	288.74	303.18	312.28	320.09
Disposal to Industrial System:				
Flow (per MG, annual basis).....	2,485.03	2,609.28	2,687.56	
BOD (per 1,000 lbs., annual basis).....	22.78	23.92	24.64	
Winery Waste (per 1,000 gallons).....	278.35	292.27	301.01	301.04



**Table 5** A table showing historic operating results and debt service coverage for the past five fiscal years.

<p style="text-align: center;"><b>City of Lodi</b>  <b>Wastewater System</b>  <b>Historical Operating Results and Debt Service Coverage</b>  <b>Fiscal Years 2009-10 through 2013-14</b></p>					
	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
<b>Operating Revenues</b>					
Charges for Services	\$11,513,389	\$13,089,679	\$13,280,216	\$13,747,216	\$14,305,093
<b>Non-Operating Revenues</b>					
Interest Income	298,337	220,600	216,108	301,347	427,308
Rent					
Other	472,578	3,198,194	290,819	256,868	453,798
<b>Total System Revenues</b>	<b>12,284,304</b>	<b>16,508,473</b>	<b>13,787,143</b>	<b>14,305,431</b>	<b>15,186,199</b>
<b>Operating Expenses</b>					
Personnel services	2,800,891	3,257,618	3,130,012	3,089,930	3,215,190
Supplies, Materials and services	2,532,246	1,955,464	2,818,041	1,900,710	2,145,745
Utilities	847,167	758,934	710,622	683,508	642,508
<b>Total Operating Expenses</b>	<b>6,180,304</b>	<b>5,972,016</b>	<b>6,658,675</b>	<b>5,674,148</b>	<b>6,003,443</b>
<b>System Net Revenues</b>	<b>6,104,000</b>	<b>10,536,457</b>	<b>7,128,468</b>	<b>8,631,283</b>	<b>9,182,756</b>
<b>Parity Debt Service</b>					
2003 Installment Payments	381,400	381,393	379,170	381,122	3,280,111
2004 Installment Payments	2,138,700	2,147,600	2,139,350	1,705,213	98,321
2007 Installment Payments	1,631,500	1,588,750	1,599,050	1,598,950	1,603,550
2012 Installment Payments				374,519	1,921,700
<b>Total Parity Debt Service</b>	<b>4,151,600</b>	<b>4,117,743</b>	<b>4,117,570</b>	<b>4,059,804</b>	<b>6,903,682</b>
<b>Debt Service Coverage</b>	<b>1.47</b>	<b>2.56</b>	<b>1.73</b>	<b>2.13</b>	<b>1.33</b>
<b>Non-Operating Expenses</b>					
Transfers (In)/Out	1,451,478	1,451,480	(778,092)	1,451,480	1,318,000
Total Non-Operating Expenses	1,451,478	1,451,480	(778,092)	1,451,480	1,318,000
<b>Net Cashflow Before Capital Expenditures</b>	<b>\$500,922</b>	<b>\$4,967,234</b>	<b>\$3,788,990</b>	<b>\$3,119,999</b>	<b>\$961,072</b>

**Source:** Financial Services Division

**Additional Indebtedness**

The Wastewater Utility did not incur any additional indebtedness during the 2013-14 fiscal year which is payable from the system net revenues on a parity with the installment payments.

## **ANNUAL REPORT FOR THE LODI PUBLIC IMPROVEMENT CORPORATION AND THE LODI PUBLIC FINANCING AUTHORITY**

The Lodi Public Improvement Corporation and the Lodi Public Financing Authority have Continuing Disclosure requirements associated with its 2012 Refunding Lease Revenue Bonds. The annual report includes, by reference, the audited financial statement of the City of Lodi.

The annual report also contains the following five (5) tables as required in the Certificates:

1. A table setting forth the approved budget and actual results for the most recent fiscal year.
2. A table showing the comparative statements of revenue, expenditures and changes in fund balance for the general fund for the past five fiscal years.
3. A table showing the assessed valuations for the last five fiscal years.
4. A table showing the secured property tax collections for the past ten fiscal years.
5. A table showing the ten largest locally secured taxpayers for the last fiscal year.
6. A table showing the Employee-paid and City-paid employee portion of the retirement plan.

### **Reporting of Significant Events**

The Certificates identify eleven (11) specific events that require special reporting. As of June 30, 2014, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending Significant Event that would require disclosure under the provisions of the Certificates.

### ***Table 1* A table setting forth the approved budget and actual results for the most recent fiscal year.**

Please refer to the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual on page 79 of this Comprehensive Annual Financial Report.

**Table 2 A table showing the comparative statements of revenue, expenditures and changes in fund balance for the general fund for the past five fiscal years.**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GENERAL FUND  
LAST FIVE YEARS**

	2010	2011	2012	2013	2014
Revenues:					
Taxes	\$ 23,118,461	23,061,164	22,928,438	23,022,370	23,718,396
Licenses and permits	72,171	83,395	79,745	62,582	83,420
Intergovernmental revenues	7,772,071	10,032,523	10,449,364	10,531,871	11,319,708
Charges for services	1,343,199	1,035,220	682,156	1,105,178	1,025,851
Fines, forfeits and penalties	1,441,354	1,404,307	1,355,101	1,628,870	1,552,531
Investment and rental income	516,304	455,923	807,270	979,100	1,548,787
Miscellaneous revenue	462,592	480,028	286,125	393,299	352,331
Total revenues	34,726,152	36,552,560	36,588,199	37,723,270	39,601,024
Expenditures:					
Current:					
General government	6,411,741	6,478,159	6,007,327	5,943,192	6,482,226
Public protection	23,854,905	24,091,472	24,923,155	25,920,654	26,470,110
Public works	1,471,779	1,421,238	1,112,569	1,555,833	1,554,939
Library	1,322,052	1,357,473	1,380,972	1,410,657	1,267,850
Parks and recreation	2,234,349	2,191,102			
Debt service:					
Interest and fiscal charges	12,578	6,427			
Principal payments	135,425	141,576			
Total expenditures	35,442,829	35,687,447	34,830,336	33,424,023	35,775,125
Deficiency of revenues under expenditures	(716,677)	865,113	3,164,176	2,892,934	3,825,899
Other financing sources (uses):					
Transfers in	5,367,983	5,379,186	5,370,230	5,367,990	3,952,000
Transfers out	(4,632,278)	(4,383,110)	(8,391,858)	(6,584,665)	(6,269,351)
Total other financing sources (uses)	1,235,705	3,021,628	996,076	1,216,675	(2,317,351)
Net change in fund balances	519,028	1,861,189	142,548	1,676,259	1,508,548
Fund balances, beginning of year	3,766,188	4,285,216	6,146,405	6,288,953	7,965,212
Fund balances, end of year	\$ 4,285,216	6,146,405	6,288,953	7,965,212	9,473,760

**Table 3** A table showing the assessed valuations for the last five fiscal years.

Please refer to the table shown in the Statistical Section on page 115.

**Table 4** A table showing the secured property tax collections for the past ten fiscal years.

Please refer to the table shown in the Statistical Section on page 118.

**Table 5** A table showing the ten largest locally secured taxpayers for the last fiscal year.

Please refer to the table shown in the Statistical Section on page 117.

**Table 6** A table showing the Employee-paid and City-paid employee portion of the retirement plan.

**Pension Contributions  
As of Fiscal Year Ended June 30, 2014**

<b>Bargaining Units</b>	<b>Employee Paid*</b>	<b>City Paid</b>	<b>Total Employee Share</b>
Council appointees	7.0%	%	7.0%
Executive management	7.0		7.0
Confidential mid-management	7.0		7.0
Confidential	7.0		7.0
Fire mid-management	9.0		9.0
Fire	9.0		9.0
Mid-management	7.0		7.0
General services	7.0		7.0
Maintenance and operators	7.0		7.0
IBEW	0.0	7.0	7.0
Police mid-management	9.0		9.0
Police	9.0		9.0
Dispatchers	7.0		7.0
*PEPRA Miscellaneous Employees	6.75		6.75
*PEPRA Safety Employees	11.25		11.25

## **ANNUAL REPORT FOR WATER UTILITY**

The Lodi Water Utility has Continuing Disclosure requirements associated with its 2010 Series A and B Certificates of Participation. The annual report includes, by reference, the audited financial statement of the City of Lodi (including the Water Utility).

The annual report also contains the following four (4) tables as required in the Certificates:

1. A table setting forth the City's number of accounts and revenues by user type for the past five fiscal years.
2. A table showing the largest users by service charge revenues for the most recent fiscal year.
3. A table showing a schedule of selected rates effective January 1, 2014.
4. A table showing a summary of historic operating results and debt service coverage for the past five fiscal years.

Additionally, the Certificate for the 2010 Series A issue requires a description of any additional indebtedness incurred during the prior fiscal year which is payable from the system net revenues on a parity with the installment payments.

### **Reporting of Significant Events**

The Certificates identify eleven (11) specific events that require special reporting. As of June 30, 2014, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending Significant Event that would require disclosure under the provisions of the Certificates.

**Table 1** A table showing number of accounts and revenues by user type.

<b>CITY OF LODI WATER SYSTEM Number of Accounts and Revenues by User Type</b>				
<b>Year Ending December 31</b>	<b>Commercial/Industrial/ <u>Municipal</u></b>		<b><u>Residential</u></b>	
	<b>Number of Accounts</b>	<b>Revenue</b>	<b>Number of Accounts</b>	<b>Revenue</b>
2007	1,445	\$ 2,043,731	21,533	\$ 8,715,928
2008	1,470	2,184,496	21,449	9,429,594
2009	1,382	2,188,486	21,577	9,600,129
2010	1,383	2,097,001	21,622	9,604,412
2011	1,396	2,169,967	21,593	9,706,537
2012	1,432	2,329,957	23,399	8,411,315
2013	1,415	2,436,777	21,717	10,353,374

Source: City of Lodi

**Table 2** A table showing the largest users by service charge revenue for the most recent fiscal year.

<b>City of Lodi Water System Largest Users by Service Charge Revenues Fiscal Year 2013-14</b>			
<b><u>User</u></b>	<b><u>Type of Business</u></b>	<b><u>Service Charge Revenue</u></b>	<b><u>Percentage of Total Annual Service Charge Revenue</u></b>
Lodi Unified School District	K-12, adult education	\$ 271,502	2.13%
City of Lodi	Government	222,929	1.75
Pacific Coast Producers	Private label fruit canning	92,193	0.72
General Mills	Cereals, bread mixes, snack foods	77,319	0.61
Cottage Bakery	Specialty bakery, frozen dough	62,581	0.49
Lodi Memorial Hospital	Health care	46,142	0.36
Temple Baptist Church	Church	18,746	0.15
Miller Packing Company	Hot dog producer	14,855	0.12
Blue Shield of California	Health insurance	12,240	0.09
Wine & Roses	Hotel and restaurant	11,490	0.09
Subtotal Top Ten Users		\$ 829,997	6.51%
TOTAL SYSTEM		\$ 12,756,076	100.00%



**Table 3 A table showing selected rates effective January 1, 2014.**

<b>CITY OF LODI WATER SYSTEM Selected Rates Effective January 1, 2014</b>	
<b><u>Percent Increase</u></b>	<b><u>Current</u></b>
<b><i>Flat Rates (\$/month)</i></b>	
<b>Single Family Residential Unit (\$/month)</b>	
1 Bedroom	\$30.65
2 Bedroom	\$36.81
3 Bedroom	\$44.12
<b><i>Metered Water Rates</i></b>	
<b>Service Charge (\$/month)</b>	
<i>Single Family Residential</i>	
Up to 3/4" Meter	\$24.37
<i>Multi-Family and Non-Residential</i>	
1" Meter	\$24.37
1 1/2" Meter	\$61.75
2" Meter	\$77.15
<b>Water Usage rates (\$/CCF)</b>	
<i>Single Family Residential</i>	
Tier 1 - 0 to 10 CCF/month	\$0.94
Tier 2 - 11 to 50 CCF/month	\$1.41
Tier 3 - Over 50CCF/month	\$1.87
<i>Multi-Family and Non-Residential</i>	
All Water Usage	0.94

Source: City of Lodi.

**Table 4 A table showing historic operating results and debt service coverage for the past five fiscal years.**

<b>CITY OF LODI</b> <b>WATER SYSTEM</b> <b>Historical Operating results and Debt Service Coverage</b> <b>Fiscal Years 2009-10 through 2013-14</b>					
	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
<b>Gross Revenues</b>					
Water Sales <sup>(1)</sup>	\$ 11,715,748	11,940,022	12,083,226	12,441,039	12,756,076
Investment Earnings	103,640	83,374	119,526	67,892	118,799
Water Impact Mitigation Fees	270,863	14,803	111,429	2,529	60,000
Meter Retrofit Installation Charges		1,653,399	675,815	585,965	405,677
Other Revenues <sup>(2)</sup>	372,034	359,979	285,093	269,335	825,314
Total Gross Revenues	12,462,285	14,051,577	13,275,089	13,366,850	14,165,866
<b>Operating and Maintenance Expenses</b>					
Personnel Services <sup>(3)</sup>	1,325,536	1,359,227	1,856,131	2,272,568	2,392,611
Supplies, Materials and Services <sup>(3)</sup>	1,981,880	2,590,222	1,781,622	2,882,547	3,014,227
New Treatment Plant Operations (net)					
Utilities	733,653	652,296	693,657	683,635	648,233
Administrative Overhead	1,060,122	1,060,122	1,060,120	1,060,120	780,000
Total O & M Expenses	5,101,191	5,661,865	5,391,530	6,898,870	6,835,071
<b>Net Revenue Available for Debt Service</b>	7,361,094	8,389,712	7,883,559	6,467,980	7,330,795
<b>Debt Service</b>					
1991 California DWR SRF loan <sup>(4)</sup>	228,025	1,433,395			
2010 Bonds <sup>(5)</sup>		849,968	2,304,811	2,335,360	2,355,230
Total Net Debt Service	228,025	2,283,363	2,304,811	2,335,360	2,355,230
<b>Debt Service Coverage <sup>(6)</sup></b>					
Debt Service Coverage	32.28	3.67	3.42	2.77	3.11
Debt Service Coverage (excluding impact mitigation fees)	31.09	3.67	3.37	2.77	3.09
<b>Net Remaining Revenues Available for Capital Capital Improvement Projects</b>	7,133,069	6,106,349	5,578,748	4,132,620	4,975,566
Meter Retrofit Program <sup>(7)</sup>		919,555	6,325,558	6,536,687	6,891,350

Other Water System Improvements <sup>(8)</sup>	3,932,424	3,666,202	540,832	1,144,363	380,675
Total Capital Improvement Projects	3,932,424	4,585,757	6,866,390	7,681,050	7,272,025
<b>Net Change in Reserve</b>	3,200,645	1,520,592	(1,287,639)	(3,548,520)	(2,296,459)
<b>Water Enterprise Fund <sup>(9)</sup></b>					
Beginning Cash Balance	13,469,170	14,120,605	12,807,412	12,465,350	9,044,659
Ending Cash Balance	\$ 14,120,605	12,807,412	12,465,350	9,044,659	7,027,567

(1) Water sales reflect Council-adopted rate increases of 2.5% effective January 1, 2014.

(2) Includes rent, sales of City property, discounts, water reimbursements, and damage to property, water tap fees, DBCP reimbursements, and other miscellaneous revenues. DBCP reimbursements are expected to decline beginning in Fiscal Year 2012-13 as new plant becomes operational and groundwater draws diminish. PCE/TCE litigation revenues are excluded from Fiscal year 2005-06 through 2009-10. Fiscal year 2009-10 reflects one-time adjustments from prior years.

(3) PCE/TCE litigation expenses are excluded from Fiscal Year 2006-07 through Fiscal year 2010-11.

(4) Debt service on 1991 Loan was paid off in full on October 1, 2010.

(5) Reflects total debt service for the 2010 Water Revenue Bonds net of the 35% interest rate subsidy for the Series 2010B bonds.

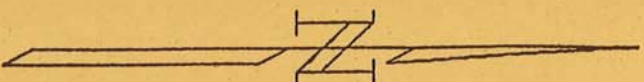
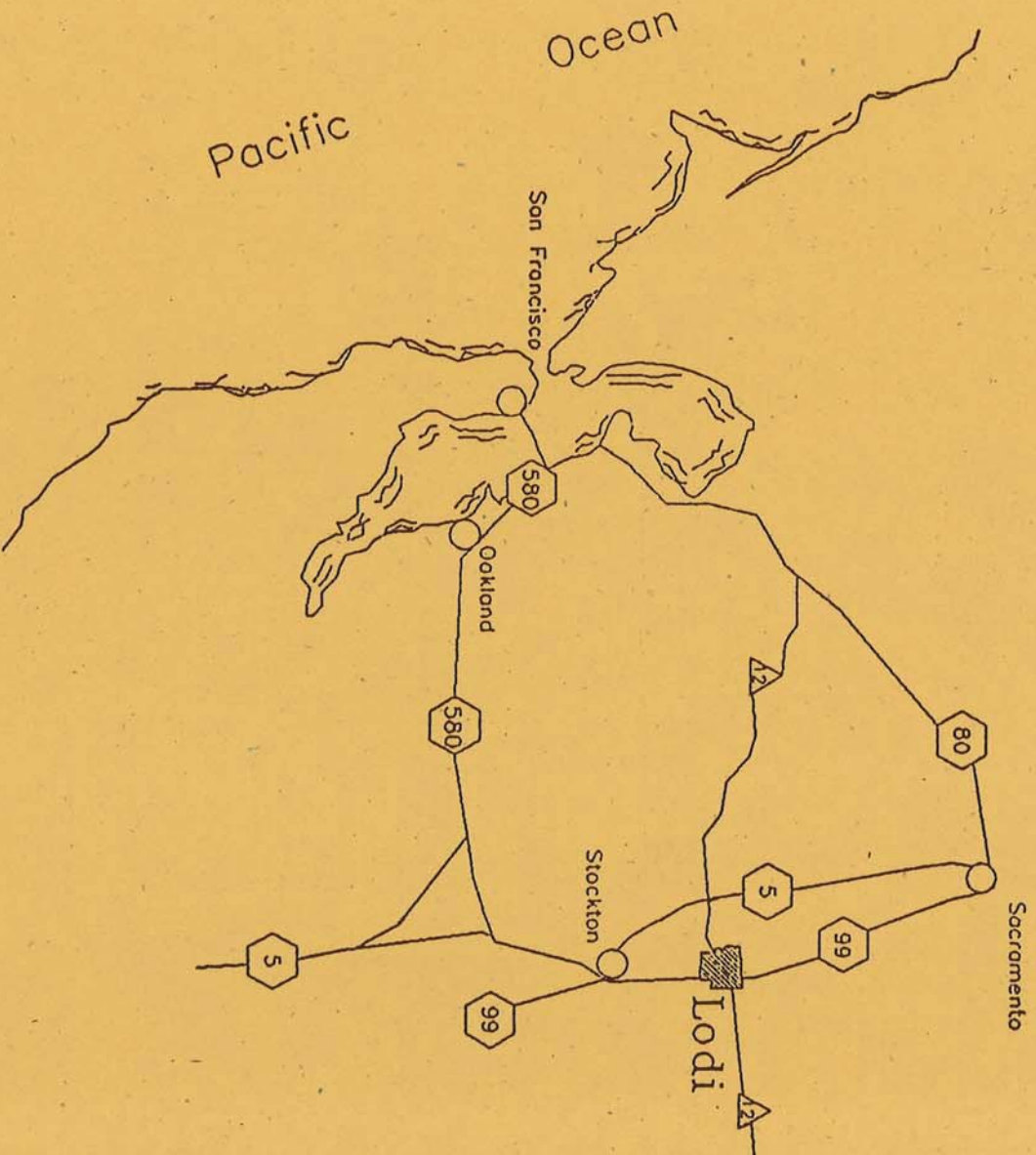
(6) Coverage calculated based on Net Revenues divided by net Debt Service and Net Revenues less mitigation fees divided by Net Debt Service.

(7) Annual capital costs of transition to water meters. Program expected to be completed in Fiscal Year 2017-18.

(8) Excludes costs of the Project to be funded from proceeds of the Series 2010 Bonds.

(9) Water Enterprise Fund balance includes both operating and capital reserves and is presented on a cash basis. Cash position is expected to increase substantially upon completion of the water meter installation program.

Source: City of Lodi



# LOCATION MAP

No Scale